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FEDERAL CREDIT UNIONS

HEARINGS

BEFORE

SUBCOMMITTEE NO. 3

OF THE

COMMITTEE ON BANKING AND CURRENCY HOUSE OF REPRESENTATIVES

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FIRST SESSION

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FEDERAL CREDIT UNION ACT

MONDAY, MAY 11, 1959

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE No. 3,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., room 1301, New House Office Building, the Hon. Wright Patman (chairman of the subcommittee) presiding.

Present: Messrs. Patman, Vanik, Miller, and Johnson.

Mr. PATMAN. The committee will please come to order.

Monday morning meetings are not always attended by full committee membership, for obvious reasons. We will have more members present as the hearings progress. We are glad to have Mr. Miller of California here this morning. Other members will be coming in but we had better not wait for them. We had better get started. The important thing in a committee hearing is the record of the proceedings. The record is taken down by the official reporter, and it is printed and distributed not only to the members of the subcommittee hearing the testimony, but is distributed to all the members of the Banking and Currency Committee, and to all the Members of the House of Representatives and usually to the Members of the U.S. Senate. It goes to libraries throughout the Nation, and is generally made available to all who are interested.

This morning we are here to have hearings on bills to amend the Federal Credit Union Act.

This is a signal occasion. This year credit unions of the United States are celebrating their 50th anniversary year of the first State credit union law and the 25th anniversary of the Federal Credit Union Act.

Men who have done great public service have sought different kinds of monuments to their works. My good friend, the late Senator Morris Sheppard of Texas, wished the Federal Credit Union Act to be a monument to his service in the Senate and it has proved to be a growing monument indeed. I know of no law ever passed by Congress which has proved more successful. It is most gratifying to me to have been able to help in the passage of the act and to have helped in the passage of a number of other bills over the years which have improved it.

I recall when the bill was being considered in the 73d Congress. I was the only Member of Congress to appear before this committee and testify in support of the bill. I recall also some very exciting events just prior to its becoming law. Despite all efforts to obtain early passage of the bill in the 73d Congress, the bill was put over until the

2d session of the 73d Congress, which was the Congress of 1933 and 1934, and one, of course, involved in a great deal of momentous legislation. The credit union bill finally passed the Senate on May 10, and it was on Saturday, June 16, 1934, the day Congress was expected to adjourn, that the House took the bill, amended it, and passed it. I called for a vote and the record shows that the House voted for the bill 180 for it and only 2 against it. Fortunately, Congress recessed over until Monday, June 18, before adjourning. Otherwise, we would not have had a Federal Credit Union Act in the 73d Congress and possibly no Credit Union Act at all.

More than that even, the postponement of the adjournment until Monday did not give us too much time. The bill had not been engrossed and I recall that Roy Bergengren and I worked into the late hours of Saturday and Sunday to make sure that the bill was in order to go before Congress Monday before adjournment. When the Federal Credit Union Act passed there were 22 credit unions in the country operating under State law. These had shown wonderful progress since their establishment in Massachusetts in 1909. But they had hardly begun to meet the problems faced by people of ordinary means in most parts of the country. Ordinary working people were being victimized by loan sharks in unconscionable ways. We learned of such a shocking instance of a railroad employee who borrowed \$30 from a loan shark and thereafter paid \$1,080 in interest charges and was then sued for the initial \$30.

I would like to point out, and I am always proud to point out, that the first credit union to be organized under the Federal Credit Union Act is located in my home town of Texarkana, Tex. This is the Morris Sheppard Credit Union and I am happy to report that it is doing a fine service worthy of the illustrious name it bears.

Today there are more than 9,500 Federal credit unions and almost 20,000 credit unions chartered under either State or Federal law with 10 million members. The loans which credit unions make to their members are essentially character loans and their record in this field of personal finance is a most enviable one. Over the past 25 years loans which have not been repaid come to less than one-half of 1 percent of the several billion dollars of loans which have been repaid.

In view of the wonderful success credit unions have enjoyed and the tremendous work they have done it is a pleasure and I know I speak for the whole subcommittee, to consider and assist in the passage of any proper measure that may be needed to improve the Federal Credit Union Act. The bill which I have introduced simply pulls together for the consideration of the subcommittee those proposed changes in the act which the national and local leaders of the credit unions have generally agreed upon and recommended.

On this day, May 11, several important things have happened in connection with credit unions.

On May 11, 1933, the first bill that Senator Sheppard introduced, S. 1639, was introduced in the U.S. Senate.

On May 11, 1934, 25 years ago today, that bill passed the Senate and was referred to the Committee on Banking and Currency of the House and, of course, today we are opening hearings on the changes in the existing law.

Now, Mr. Vance Austin, would you stand up please? You have arranged for the witnesses who will appear?

Mr. AUSTIN. We have.

Mr. PATMAN. Do you have them, Mr. Clerk, in the order in which they are supposed to appear?

The CLERK. Yes, sir.

Mr. PATMAN. We have as our first witness Mr. Julius Stone, first vice president of the Credit Union National Committee (CUNA), I believe.

Mr. Stone, will you come around, please.

Identify yourself and proceed in your own way. I notice it says first vice president of CUNA, chairman of legal and legislative committee from Massachusetts. But, I believe a few days ago you were elected president of your association.

Mr. STONE. Yes, I was, Mr. Chairman.

Mr. PATMAN. You may take a seat and proceed in your own way.

**STATEMENT OF JULIUS STONE, FIRST VICE PRESIDENT, CUNA, AND
CHAIRMAN OF LEGAL AND LEGISLATIVE COMMITTEE, FROM
MASSACHUSETTS**

Mr. STONE. Thank you.

Mr. Chairman and members of the committee, my name is Julius Stone. I am, as the chairman has already pointed out, the president of the Credit Union National Association. I am privileged to be accompanied by a number of volunteers who are dedicated people in the credit union movement and I would like to ask the permission of the Chair for the opportunity of referring to them at this time. They are to make statements later on. There is Mr. Cecil Burdick, national director of CUNA, from Texas; Mr. Louis Bonderefsky, national director of CUNA from New York; Mr. John V. Nation, national director of CUNA from Ohio; Mr. C. O. Cherry, national director of CUNA from Colorado; Mr. James J. Girvan, national director of CUNA from Pennsylvania; Mr. T. J. Corbett, national director of CUNA from New Jersey; and Mr. Harry J. Woodman, national director of CUNA from Michigan.

And Mr. Perne Hutchinson, national director of CUNA from New Hampshire, who was to have been here this morning and who is unable to be here. But he has asked me to present his statement favoring this bill and stating the position of the credit unions of the State of New Hampshire and with the permission of the chairman, after the others have presented their testimony I will do so.

Mr. PATMAN. Without objection, I may extend your remarks in that respect and in any other way, to include any material that is germane.

Mr. STONE. Thank you.

And may I have the permission of the Chair to have Mr. Vance Austin to whom you have already referred, here for consultation and advice as I go along?

Mr. PATMAN. He may sit with you; yes, sir.

Mr. STONE. Mr. Chairman and members of the committee, today with many of the other people who you see present in this room, some of whom I have already referred to, I have just come from an historic annual meeting of the international credit union movement in Boston, Mass. We are celebrating this year, as the Chair has already men-

tioned, the 50th anniversary of the first credit union law in this country and the 25th anniversary of our national association, and exactly to the point here, the 25th anniversary of our Federal Credit Union Act.

We are grateful to Chairman Wright Patman and the members of this subcommittee for the opportunity to appear before you and to present our views on these suggested revisions.

The Federal Credit Union Act, passed in 1934, has proved to be one of the most workable and worthwhile pieces of legislation ever passed for the benefit of the common man. It has been a blessing to literally millions of people who in the past 25 years have enjoyed membership in a Federal credit union.

At the present time there are more than 9,000 Federal credit unions, operating in every State of the United States, including Alaska and Hawaii, and in the Canal Zone, the District of Columbia, Puerto Rico, and the Virgin Islands. These Federal credit unions provide many of the everyday thrift and credit needs of approximately 5 million Americans.

Although the Federal Credit Union Act has been in existence only half of the 50 years during which credit unions have operated in this country, almost half of our 20,000 credit unions have been chartered by the Federal Government, and almost half of the 11 million credit union members in the United States are members of Federal credit unions.

As of December 31, 1958, these Federal credit unions had assets estimated at more than \$2 billion, and they are growing at a rate of approximately \$300 million each year. These assets represent the savings of many American families who previously would have saved only a small fraction of this amount.

Since the first Federal credit union was organized 25 years ago among the municipal workers in Texarkana, Tex., Federal credit unions have loaned their members approximately \$12 billion for provident and productive purposes. Two billion dollars of this amount were loaned out to Federal credit union members in just 1 year—1957—the last year for which figures are available at this time.

I point out these facts so that you gentlemen can fully appreciate the extensive impact the Federal Credit Union Act has had on the citizens and economy of our country in the relatively short period of 25 years.

As illustrated by these figures, the biggest and best accomplishment of the act has been the way in which it has enabled millions of Americans to join together in credit unions to help each other learn to save and to provide each other with a constant and convenient source of low-cost credit. This twofold accomplishment has been recognized by Government, financial, industrial, labor union, religious, and community leaders for many years, and many of them have spoken out in full support of the credit union's purposes and philosophy.

Operating on the theory that man's most valuable asset is his character, these Federal credit unions have marked up an outstanding record of collection in the past 25 years. During that time, less than one-quarter of 1 percent of the billions of dollars they have loaned has not been repaid by their members, a record that any financial institution would be more than proud of.

It must also be said, however, that even though the Federal Credit Union Act has proven to be a remarkably effective instrument during the 25 years of its existence, it has not kept pace in many respects with the widespread changes that have taken place in our economy, and with the evolving needs of Federal credit unions and their members.

For that reason, the credit union bills before you have been introduced in this session of Congress. Taking everything into consideration, however, there are actually only two different bills before you. These are the Patman bill, H.R. 5777, and the Multer bill, H.R. 3674.

H.R. 3675, H.R. 5939, H.R. 5958, H.R. 5988, H.R. 6089, H.R. 6122, H.R. 6161, H.R. 6241, H.R. 6407, H.R. 6755, H.R. 6927, and H.R. 7009 have also been introduced.

The substance of these two bills which are before you and which we think represent the bills that the committee is particularly interested in are the Patman bill, H.R. 5777, and the Multer bill, H.R. 3674.

The substance of these two bills is identical in all major respects, and therefore, the Credit Union National Association has indorsed and supports both of them. The only difference in the two bills is the way in which they seek to change the Federal Credit Union Act. The Patman bill asks for a series of specific amendments, while the Multer bill is in the form of a complete recodification of the act.

The purpose behind each of the suggested revisions is to bring the act into tune with today's economy. As all of you gentlemen know, there has been a tremendous change in the credit needs of the average American family during the past decade. Prices have increased substantially, making it necessary for them to borrow higher amounts for the same basic items they purchased on credit 10 years ago. Even more important is the change that has taken place in our Nation's credit habits. Credit has become the heart of our economic system, and we believe Federal credit unions should be allowed to continue to serve their members' credit needs at least as well as in the past.

For these reasons, we urge this committee to give favorable consideration to these bills, so that 25 years from now, we can again say that the Federal Credit Union Act has been a remarkably effective instrument and a boon to our fellow man.

I would now like to briefly consider each of the amendments contained in the bills and the purposes they are intended to serve.

The memorandum which we will submit includes the sections of the Federal Credit Union Act, or other acts, to be amended.

Mr. PATMAN. They may be inserted in the record at this point in exactly the same way that you have them, if you desire.

Mr. STONE. Thank you.

Mr. PATMAN. Would you like to do that and then just discuss any of the major ones that you would like to comment upon?

Mr. STONE. Yes, sir; thank you very much, Mr. Chairman.

(The memorandum referred to is as follows:)

SUMMARY OF CHANGES IN FEDERAL CREDIT UNION ACT PROPOSED BY H.R. 3674 (REPRESENTATIVE MULTER), H.R. 3675 (REPRESENTATIVE ANDERSON), H.R. 5777 (REPRESENTATIVE PATMAN), AND SIMILAR BILLS

Amendment to section 2 (12 U.S.C. 1752)

To provide for the chartering of Federal central credit unions with a field of membership of Federal- and State-chartered credit unions, and directors and committee members of credit unions within a well-defined geographical area.

Purpose.—To extend to Federal credit unions and their directors and committee members the full benefits of unrestricted membership in central credit unions by authorizing the purchase of shares and the obtaining of loans by Federal credit unions and State-chartered credit unions from Federal and State central credit unions and by providing a source of credit for directors and committee members. Under the existing Federal law, directors and committee members may not borrow in excess of their shareholdings from the credit unions in which they serve in these capacities.

More important, it has become apparent over the years that there is a real need for central credit unions which can act as a source of additional funds and as an investment medium for Federal credit unions in a particular geographical area. The achievements of State-chartered central credit unions attest to the need for this change in the Federal Credit Union Act.

Amendment to section 7(5) (12 U.S.C. 1757(5))

To increase loan maturity limit from 3 to 5 years.

Purpose.—To allow Federal credit unions to more adequately meet the demands of their members for various types of loans. For instance, a 5-year loan maturity on home repair and modernization loans would be more feasible for many credit union members. Also, there are many occasions when a credit union member has suffered a series of financial catastrophies and wishes to borrow additional funds or consolidate his debts but is realistically unable to liquidate such an obligation within a 3-year period. Under these conditions, if the member is of sound character, the credit union often wishes to extend a longer term loan. Such loans can be a sound use of credit and are consistent with the fundamental purposes and goals of credit unions.

Amendment to section 7(5) (12 U.S.C. 1757(5))

To permit loans to directors and committee members up to the amount of their shareholdings in the credit union plus the total unencumbered and unpledged shareholdings in the credit union of any member pledged as security for the obligation of such director or committee member. (The present law permits loans to be made to directors and committee members only up to the amount of their individual shareholdings.)

Purpose.—To liberalize borrowing restrictions regarding officials. It is often difficult and in some instances almost impossible to secure members to serve as directors, officers, or committee members because of the present limitation in the law on the borrowing privileges of persons serving in such capacities. As a result, credit unions are not always getting the cost capable leadership available from the qualified membership. This weakness would be remedied to a large degree by the proposed liberalization, and at the same time due regard for the safety of the funds of the credit union would be retained.

Amendment to section 7 (7) (12 U.S.C. 1757(7))

To permit investment by Federal credit unions in the shares of central credit unions, subject to authorization by the board of directors.

Purpose.—To specifically authorize such investments in order to create a fund from which loans may be extended to other member credit unions and their directors and committee members.

Amendment to section 7 (12 U.S.C. 1757)

To permit the charging of a reasonable fee for the cashing or selling of checks, not to exceed the direct and indirect costs incident to providing such service.

Purpose.—The Bureau of Federal Credit Unions has held that, in the absence of a specific provision in the Federal Credit Union Act permitting such activity, Federal credit unions may not cash or sell checks for a fee. Formerly, credit unions had been engaged in this activity and the ruling has created considerable hardship. The activity, which is desired and requested by the members, results in certain direct and indirect costs. It is only fair and equitable that these costs should be borne by those directly availing themselves of the service, rather than by the general membership. This principle has been accepted by the credit unions directly involved and, as the owners of the credit unions, they should have the right to provide this service for themselves.

Amendment to section 11(a) (12 U.S.C. 1761(a))

To provide for appointment of the members of the supervisory committee, one of whom may be a director other than the treasurer, by the president; such appointment to be subject to ratification by the board. The present law provides for election of supervisory committee members by the membership.

Purpose.—The board of directors have the responsibility for the general direction and control of the affairs of the credit union. The present law limits its ability to properly discharge this responsibility in instances where an elected supervisory committee is not functioning in an effective manner and in accordance with prescribed procedure. The recommended changes would allow for the appointment of qualified persons to the committee by the board and would charge the board with more direct responsibility for supervisory committee performance.

Amendment to section 11(b) (12 U.S.C. 1761(b))

To provide for one or more vice presidents.

Purpose.—To eliminate the necessity for an amendment to the bylaws in order to so provide. This change would be of particular significance to credit unions requiring an additional cosignatory on checks.

Amendment to section 11(b) (12 U.S.C. 1761(b))

To change position of officer called clerk to that of secretary.

Purpose.—To give the position a title which is more descriptive of its function and add dignity and stature to the office.

Amendment to section 11(a) (12 U.S.C. 1761(a))

To prohibit compensation to any executive officer other than the treasurer for services rendered as such.

To provide that only the treasurer, as general manager of the credit union, may be compensated for his services. Service without pay by the directors, committee members, and all other officers is consistent with credit union philosophy. Under the present law all of the officers of a credit union may be compensated to such extent as the bylaws may provide.

Amendment to section 11(c) (12 U.S.C. 1761(c))

To provide that in addition to the board of directors acting directly upon applications for membership, it may appoint from the members (other than the treasurer or assistant treasurer) a membership chairman who shall also be authorized to act upon such applications within limitations set by the board.

Purpose.—To enable credit unions to make their services available more quickly to applicants for membership. Since the board usually meets but once per month, applications for membership are often delayed for from several days to a month under the current arrangement.

Amendment to section 11(c) (12 U.S.C. 1761(c))

To authorize the board to compensate necessary auditing assistance appointed by the supervisory committee and loan officers appointed by the credit committee.

Purpose.—To assist the supervisory committee in functioning more effectively by providing for assistance which may be compensated. This committee, which is charged with the responsibility for making regular internal audits of the credit union, often requires outside assistance. Compensation for loan officers who would take some of the burden off the credit committee is based upon the same principle.

Amendment to section 11(d) (12 U.S.C. 1761(d))

To increase signature loan limit from \$400 to \$1,000.

Purpose.—To allow credit unions to more effectively satisfy the consumer credit needs of the expanding credit union membership. Congress has progressively increased this limit from \$50 initially in the original act to \$100 in 1940, \$300 in 1946, and \$400 in 1949. The experience of Federal credit unions on loans of this type has been very good over the years, and it is felt that the rising cost of commodities and services, coupled with the progressive growth in knowledge on the part of credit unions of the character and financial responsibility of their members, warrants the requested increase in the signature loan limit.

Amendment to section 11(d) (12 U.S.C. 1761(d))

To permit appointment by the credit committee of one or more loan officers to approve loans up to the unsecured limit, or in excess of such limit if the excess is fully secured by unpledged shares.

Purpose.—To provide a realistic, practicable means of reducing the burden upon the credit committee in credit unions having a large and continually increasing volume of loan activity. Also, due to the fact that the committee, which is not compensated, is often scattered and finds it difficult to meet frequently and on short notice, proper consideration and prompt loan service in

emergencies is not feasible. A loan officer would be in a position to move quickly in instances of this nature. The credit committee would be fully apprised of his activities since he would be required to furnish them with a record of all loan applications approved and of loan applications not approved within 7 days of such action. Official action on loan applications not approved by the loan officer would be considered by the credit committee.

Amendment to section 13 (12 U.S.C. 1763)

To authorize the board of directors to declare dividends rather than the membership.

To transfer this function to the body which is primarily responsible for the management and sound operation of the credit union. Also, it is in the best position to determine the size of the dividend which should be distributed, based upon its intimate knowledge of the organization's affairs and its current and future needs. Further, this would alleviate the condition presently existing whereby the members are in a position to declare a dividend in excess of that which the credit union can safely and prudently afford to pay.

Amendment to section 13 (12 U.S.C. 1763)

To permit annual or semiannual dividends as the bylaws of each credit union may provide.

Purpose.—To allow an alternative to the current requirement that dividends be paid annually. This often penalizes members who are forced to withdraw shareholdings prior to the year end, thereby losing the dividend. Adoption of the alternate plan would be optional with each currently operating credit union and would require an appropriate amendment to the bylaws. Newly chartered credit unions would have an initial choice.

Amendment to section 13 (12 U.S.C. 1763)

To provide that dividend credit for a month may be accrued on shares which are or become fully paid up during the first 5 days of that month.

Purpose.—In many instances members do not receive their compensation until the last day of the previous month or the first day of the current month and find it impractical to make share payments immediately. Dividend credit under the current law does not commence until the following month. The proposed amendment would eliminate this inequity and provide an additional incentive for saving.

Amendment to section 14 (12 U.S.C. 1764)¹

To provide that a member expelled from a credit union may obtain a review of such expulsion by the Director of the Bureau.

Purpose.—Since such action may seriously affect a person's standing and reputation in the community and may be based upon factors which do not constitute a valid reason for such expulsion, provision for a method of review appears warranted.

Amendment to section 16 (12 U.S.C. 1766)

To place the Bureau of Federal Credit Unions under all provisions of the Administrative Procedure Act. At present it is subject only to the rulemaking provisions of the act.

Purpose.—To give Federal credit unions and proposed new credit unions the right to a hearing on adjudications made by the Bureau, and to create a formal record of such hearings.

Amendment to section 21 (12 U.S.C. 1771)

To permit allocation of space in Federal buildings to credit unions having a membership composed at least 95 percent of persons who are either presently Federal employees or are retired employees and members of their families. At present, allocation of such space is permitted to credit unions the membership of which is composed exclusively of Federal employees and members of their families.

Purpose.—To allow credit unions to continue the membership of retired Federal employees and to extend membership to a limited number of employees of private contractors, American Legion, and Red Cross personnel working along with Federal employees at Federal installations, without jeopardizing the credit union's eligibility for space in Federal buildings.

¹ No such provision in H.R. 5777 and identical bills.

Added section (section 23)

To add a new section to the act to provide for conversion from Federal to State charter and vice versa.

Purpose.—To make specific provision for such conversion. Under certain circumstances this action may be deemed desirable by a credit union and acceptable to the supervisory agencies involved. However, the Federal Credit Union Act is silent in this connection. Special authority appears warranted which would facilitate the procedure in order that it may be accomplished without dissipation of reserves or undue disruption of normal credit-union operations and service to the members.

Amendment to 18 U.S.C. 2113 (g)

To add a provision making robbery of a Federal credit union a crime under Federal statute.

Purpose.—To add robbery of a Federal credit union to the current Federal statutory offenses of false entry, forgery, and embezzlement. This proposed amendment would permit the Federal Bureau of Investigation to assume jurisdiction in instances of robbery, as well as the others.

Amendment to section 22 (12 U.S.C. 1772)

To expand the provisions of the act to include the several territories and the several possessions of the United States.

Purpose.—To eliminate the need for future amendments in order to allow for the establishment of Federal credit unions in the U.S. Territories and possessions hereafter created.

Other amendments

To modify various sections of the act.

Purpose.—To clarify and modernize the act without making substantive changes.

Mr. STONE. Now, with reference to the first one, which is to provide for the chartering of Federal central credit unions with a field of membership of Federal and State-chartered credit unions, and directors and committee members of credit union within a well-defined geographical area.

In addition to the reason for the amendment as we include it in the printed record, which we have already submitted, I would like to add that to illustrate, central credit unions can fill a real pressing need by obtaining existing surplus credit-union funds and making them available to credit unions whose only cash resources are temporarily inadequate. There are normal seasonal patterns of borrowing and savings of the various types of credit unions and these seasonal factors are responsible for most such occurrences.

For example, teacher credit unions tend to find their savings falling off during the summer vacation months, while borrowing requests frequently increase.

In other types of industry, credit unions have their peak flow of savings during the summer months, but tend to be seasonally short of funds during the winter months.

By balancing off these peaks and valleys, Federal central credit unions would impart additional financial strength and stability to credit unions, merely by utilizing the resources the credit unions have already mobilized.

Federal central credit unions can also impart additional strength to credit unions located in depressed areas. Where plant closings have occurred and unemployment is relatively high, the individual credit unions are prepared to assist their members during their time of need and have done so to the benefit of both the member and the credit union.

However, in plants where employment is declining, member savings tend to be withdrawn limiting the lending power of the credit union and its power to serve as a bastion of stability.

The Federal central credit unions in these circumstances could fill an important need by lending funds generated by other credit unions which are members of the Federal central credit union. In this way individual credit unions could marshal additional funds and thereby and thereby assist not only its members but through them the entire economy of the depressed area.

I think when the gentleman from Michigan, who has accompanied me, testifies, he will bring to you an interesting story of the service which the credit unions in that area rendered to government employees of the State of Michigan who found themselves in a difficult condition because the State did not have the money to meet its payroll, and I think you will find in that story perhaps one of the good reasons why you should be particularly interested in this amendment, as well as the fine record of achievement of service to people in time of need which the credit unions in Michigan rendered, only a few weeks ago.

The next amendment was to increase loan maturity from 3 to 5 years. And, of course, the purpose of this is to allow Federal credit unions to more adequately meet the demands of their members for various types of loans. For instance, a 5-year loan maturity on home repair and modernization loans would be more feasible for many credit union members. And I think you will find that many of the credit union people who have a strong bond and close contact because they are members of the same industrial group, who need financial assistance to take care of modernization and repairs, will find, with an extended maturity limit of 5 years, the possibility of securing this service from a credit union where other types of lending institutions might not be as liberal in the policy of granting this assistance to help these people. So I would like to particularly emphasize the importance of this amendment from the viewpoint of the small homeowner who belongs to a credit union, and who needs this type of assistance in connection with home modernization loans.

Also, there are many occasions when the credit union member has suffered a series of financial catastrophies and wishes to borrow additional funds or consolidate his debts, but is realistically unable to liquidate such an obligation within a 3-year period. I think in this regard you may be interested in the story which the gentleman from New York will tell you about the method whereby some of their local community credit unions have been available to consolidate loans and give people service over a period of years without any expense to the individual because this was the best history of credit-union assistance to people.

In this regard, too, I should like to repeat a very interesting experience we had in Massachusetts last Saturday, when the Governor of the Commonwealth tendered a reception to the directors of the Credit Union National Association, and he spoke of a cause which was very close to his heart, which he thought was being followed, or might be followed by other States, in the establishment of a fund which would be made available to deserving high school boys who showed merit in their studies, and could be used for scholarships or for loaning pur-

poses, so that money would be made available to their families to take care of the educational needs of these boys, and when it was suggested to the Governor that the credit unions might need more time when they made loans of this nature for repayment, he indicated that he felt that this was very definitely so. And I would like to point out to this committee that if you extend the maturity period from 3 to the 5 years, which we request, that you will make it possible for credit unions who already have indicated a great interest in this type of loans for boys going to college, it would make it possible for them to loan their families the money. And I don't have to emphasize to you, distinguished gentlemen, how much value this may have to the Nation in the years to come.

The next amendment was to permit loans to directors and committee members up to the amount of their shareholdings in the credit union plus the total unencumbered and unpledged shareholdings in the credit union of any member pledged as security for the obligation of such director or committee member. The present law permits loans to be made to directors and committee members only up to the amount of their individual shareholdings.

Now, I think you are all familiar with the amount of volunteer work that people who are connected with credit unions give to the development of the credit union movement, because they feel in doing this type of work they are their brother's keeper and are doing good communal service.

Unfortunately, these men who do this work can't themselves borrow from their credit unions, because they are limited by law, so that the man who is an officer of a credit union or a committee member, can't make a loan from his credit union, while a regular member can, and he can only make the loan from his credit union up to the extent of his shareholdings.

We feel that if these men were permitted to borrow from their credit union, and the shareholdings of other individuals besides theirs were pledged to the loan, the credit union would have full security. There had been no problem of anybody being taken advantage of and the loan needs of these people would be met.

So we hope you will liberalize the rules for these people as long as the credit union receives as security the shares of others than the borrower.

Mr. PATMAN. Let me see if I understand that. As it is now, of course, all this work is gratis. These committee members do not charge for the services they render?

Mr. STONE. That is right.

Mr. PATMAN. And they are restricted in their own loans because they are serving on committees or they have become officials of the local credit union?

Mr. STONE. That is right.

Mr. PATMAN. If this were a bank, they could, of course, go to another bank and get a loan, but being a credit union—and you must be a member to get a loan—they are ineligible to borrow from other credit unions, is that correct?

Mr. STONE. That is correct.

Mr. PATMAN. This provision, in other words, corrects a situation, because it is unlike banks in that respect?

Mr. STONE. That is exactly so.

Mr. Austin points out that in certain instances the centrals will take care of that situation, but in those cases where there are not central funds, or the central fund is not in a position to do it, as the Chair has pointed out, this gives the officer of a credit union a service that isn't otherwise available to him.

The next amendment is to permit investment by Federal credit unions in the shares of the central credit unions subject to the authorization by the board of directors. And this is of a technical nature, and if you authorize the establishment of central credit unions, I think this would be something that would go along with that.

The next is to permit the charging of a reasonable fee for the cashing or selling of checks, not to exceed the direct and indirect costs incident to providing such service.

The Bureau of Federal Credit Unions has held that in the absence of a specific provision in the Federal Credit Union Act permitting such activity, Federal credit unions may not cash or sell checks for a fee. Formerly credit unions had been engaged in this activity and the ruling has created considerable hardship. The activity which is desired and requested by the members results in certain direct and indirect costs. It is only fair and equitable that these costs should be borne by those directly availing themselves of the service rather than by the general membership. This principle has been accepted by the credit unions directly involved, and as the owners of the credit unions they should have the right to provide this service for themselves.

I think that it was pointed out, upon one occasion, that here in Washington, D.C., unless the credit unions were given an opportunity to cash the checks, it would result in inconvenience and expense to many Federal employees who would have to take time from their work, have to travel some distance to a bank which was not conveniently located, or would have to pay very substantial fees to people who are in the business of cashing checks. This is pointed out clearly, it seems to me, in the District of Columbia, as much as in any other section. This is a service that the credit unions can make available to their members. It is a great convenience, and this is something which it seems to me we ought to recognize as a convenience for the individual member, and a service that we ought to be able to furnish.

The next is to provide for appointment of the members of the supervisory committee, one of whom may be a director other than the treasurer, by the president, such appointment to be subject to ratification by the board.

The present law provides for election of supervisory committee members by the membership.

Now, I think our reasons for this amendment are contained in the printed record, and perhaps it needs no further amplification from me.

The next one is to provide for one or more vice presidents, and this would be of particular significance to credit unions requiring an additional cosignatory on the checks. A vice president could be elected and automatically, without any change in the bylaws, he would be given certain powers to sign checks.

The next one is to change the position of the officer called "clerk" to that of "secretary."

It is thought that the title "secretary" is more dignified and adds to the stature of the office, and this is a change in a name, which doesn't appear to be of any particular moment, except that it does give a certain amount of prestige to the office, which we think is desirable.

The next one is to prohibit compensation to any executive officer other than the treasurer for services rendered as such.

This provides that only the treasurer, as general manager of the credit union, may be compensated for his services. Service without pay by the directors, committee members, and all other officers is consistent with credit union philosophy. Under the present law, all of the officers of a credit union may be compensated to such extent as the bylaws may provide.

The next is to provide that in addition to the board of directors acting directly upon applications for membership, it may appoint from the members, other than the treasurer or assistant treasurer, a membership chairman who shall also be authorized to act upon such application within limitations set by the board.

Mr. JOHNSON. May I interrupt? On the previous question of compensation of officers, have you any evidence to show that other officers are now being paid or are not being paid?

Mr. STONE. No; I think that as a general rule, other officers are not being paid, except when they render special service, but since we feel very strongly that we want to maintain this basic philosophy, we feel that——

Mr. JOHNSON. The purpose of my question is to find out whether we would be interrupting practices which members find acceptable in many cases.

Mr. STONE. Mr. Austin will answer that.

Mr. AUSTIN. Actually, the standard bylaws, which have to be approved by the Federal Bureau at the present time, have consistently said that no one but these persons may be paid, but there is a little pressure now and then from some credit union to be entitled to pay its president or board members for meetings. If this were put in the law it would give the weight of the law to it, whereas, now it is literally a regulation of the Bureau. It is our feeling that it is so basic a principle of the credit union movement that it could and should be in the law itself. However, the Federal Bureau has enforced it, in effect, as a regulation, putting it into the bylaws of the credit unions of the past.

Mr. JOHNSON. Thank you.

Mr. STONE. Now, the next one to which we will refer is the appointment of a membership chairman, and this would enable credit unions to make their services available more quickly to applicants for membership. In many instances the board of directors meets only once a month, and therefore can only pass upon applications for membership once a month.

Now, while we do not intend to deprive the board of directors of the right and the desirability, too, of passing upon applications for membership we think it would be much more convenient if we were authorized to have a chairman of the membership committee who could take care of the man's needs when he came in and have that ratified in some way by the board later on.

This would enable us to make our services available quickly in an emergency.

The next amendment is to authorize the board to compensate necessary auditing assistance appointed by the supervisory committee and loan officers appointed by the credit committee.

To assist the supervisory committee in functioning more effectively by providing for assistance which may be compensated, is the purpose of this amendment. This committee which is charged with the responsibility for making regular internal audits of the credit union, often requires outside assistance. And we would like to give them the authority to provide outside assistance to make independent audits in cases where they think it is desirable.

Compensation for loan officers who would take some of the burden off of the credit union committee is based upon the same principles, that a loan officer would be appointed, he would have the authority under certain cases, especially in loans which are secured by shares, to give members immediate service, and we would like to have the right to compensate these people who would be professional people in each instance.

The next amendment is to increase the signature loan limit from \$400 to \$1,000.

This is to allow credit unions to more effectively satisfy consumer credit needs of the expanding credit union membership. The chairman has already, in his opening remarks, indicated his familiarity with the progress of the development of the law with reference to the loan limits.

Congress has progressively increased this limit from \$50 annually, in the original act, to \$100 in 1940, \$300 in 1946, and \$400 in 1949.

The experience of Federal credit unions on loans of this type has been very good over the years, and it is felt that the rising cost of commodities and services, coupled with the progressive growth and knowledge on the part of credit unions of the character and financial responsibility of their members, warrants the requested increase in the signature loan limits, and I respectfully submit that in the 10 years since the last change, in 1949, the trend in the economy of our country has been such that the loan needs of the individual credit union member have changed, too, with that, and this increase to a \$1,000, which we now ask, is justified by the history of the changes and by the present economy of the country.

Next, to permit appointment by the credit committee of one or more loan officers to approve loans up to the unsecured limit, or in excess of such limit if the excess is fully secured by unpledged shares.

I think this needs no further elaboration than is included in the printed record. This is being done for the purpose of making the facilities of the credit union available to a person when he needs it, and since all of the members of the credit committee serve without compensation, and sometimes it is difficult to get them together if their business duties call them away from a meeting of the committee, it means that unless we are in a position to give our members this service in this way, they may have to wait until the credit committee meets, and when a man needs, in an emergency, assistance, it isn't desirable to ask him to wait 2 or 3 or 4 days until the credit committee meets.

Now, while the credit committees may meet very frequently, in the larger credit unions, I think you will agree with me in those cases where you have smaller credit unions, and the credit committees don't meet too often, that it limits a person to ask him to wait until the credit committee meets, especially when he needs money. He ought to be able to get his loan as quickly as possible.

The next amendment is to authorize the board of directors to declare a dividend rather than the membership declaring a dividend, and to transfer this function to the body which is primarily responsible for the management and sound operation of the credit union is something which people understand as good business, in many types of corporations. The directors of a credit union are in a better position, perhaps in the best position, to determine the size of the dividend to be distributed, based upon the directors' intimate knowledge of the organization's affairs, and the current and future needs of the organization. Further, this would alleviate the condition presently existing whereby the members are in the position to declare a dividend in excess of that to which the credit union can safely and prudently afford to pay.

The next amendment is to permit annual or semiannual dividends as the bylaws of each credit union may provide. It seems to me there is no good reason why a credit union shouldn't be permitted to pay dividends semiannually if the credit union thinks this is the desirable method of declaring dividends and since the credit union will have the right to exercise its choice of an option, it seems to me that the committee might well feel that they ought to give them the right to declare dividends semiannually instead of annually.

The next change is to provide that the dividend credit for a month may be accrued on shares which are or become fully paid up during the first 5 days of the month. I don't think this needs any elaboration. This is for benefit of the individual credit union member. It doesn't affect the credit unions too much but as a matter of bookkeeping it seems to me desirable to give them this opportunity to put their money in any time within the first 5 days, and, of course, sometimes this becomes important because some of these people don't get their paychecks until the first or second day of the month, and they need a little time, within which to bring their checks into the credit union for deposit.

Next, to provide that a member expelled from a credit union may obtain a review of such expulsion by the Director of the Bureau.

Since expulsion may seriously affect a person's standing and reputation in a community and may be based on factors which do not constitute a valid reason for such expulsion, provision for a method of review appears warranted. We think that perhaps a review by an impartial group who can take a more objective view of the situation would be better for the individual credit union and it seems to me that this is a benefit which you confer upon the individual credit union member.

This amendment to which I just made reference appears in the Multer bill, but does not appear in the Patman bill.

The next amendment is to place the Bureau of Federal Credit Unions under all provisions of the Administrative Procedure Act. At present, it is subject only to the rulemaking provisions of the act.

The purpose of this is to give Federal credit unions and proposed new credit unions the right to a hearing on adjudications made by the Bureau, and to create a formal record of such hearings.

The next amendment is to permit allocation of space in Federal buildings to credit unions having a membership composed of at least 95 percent of persons who are either presently Federal employees or are retired employees and members of their families. At present, allocation of such space is permitted to credit unions the membership of which is composed exclusively of Federal employees and members of their families.

The purpose of this amendment is to allow credit unions to continue the membership of retired Federal employees, and to extend membership to a limited number of employees of private contractors who we all recognize as quasi-governmental officials, but who are not technically governmental officers, such as the American Legion, Red Cross personnel, who work along with Federal employees at Federal installations. We don't want to jeopardize the credit unions' eligibility for space in Federal buildings.

We think these people should be included in that group.

Mr. JOHNSON. May I interrupt you again at that point?

Mr. STONE. Yes, sir.

Mr. JOHNSON. Mr. Chairman?

Mr. PATMAN. Certainly.

Mr. JOHNSON. The language there says either presently Federal employees or retired Federal employees.

This means that if a person was an active member of your credit union and left Federal employment, to accept other employment, that he should be thrown out of the credit union, or else when there were more than 5 percent, the credit union would lose the benefit of this provision?

Mr. STONE. Yes, sir.

Mr. JOHNSON. Is it your feeling that when a person leaves employment in an institution which has a credit union, that he should, unless he retires, withdraw from that credit union?

Mr. STONE. No, it is my feeling that we want him to remain as a member of that credit union, Mr. Johnson.

Mr. JOHNSON. That is what I thought. Now, my question is this: Shouldn't you perhaps suggest that it be composed of at least 95 percent of persons who are either presently Federal employees or were Federal employees at the time of their admission into the credit union?

Mr. STONE. Yes, sir; I think that would do it. I agree that that, Mr. Johnson, extends the group, which would be preferable. I think your language would be preferable.

Mr. JOHNSON. I am in the embarrassing position of having left the employment of a group that had a credit union and I am no longer in their employ because of my present activities. I take it if this principle were generalized that I had better get out of that credit union.

Mr. STONE. We don't want you to get out of the credit union. I agree that Mr. Johnson's definition of the group is better than the one we suggested, Mr. Chairman.

Mr. PATMAN. An amendment will be in order, Mr. Johnson, which I trust you will be good enough to prepare.

Mr. STONE. The next amendment is to add a new section to the act to provide for conversion from Federal to State charter, and vice versa.

The purpose of this is to make specific provision for such conversion. Under certain circumstances this action may be deemed desirable by a credit union and acceptable to the supervisory agencies involved. However, the Federal Credit Union Act is silent in this connection. Special authority appears warranted which would facilitate the procedure in order that it may be accomplished without dissipation of reserves or undue disruption of normal credit union operations and service to the members.

I am familiar with two such situations, one in Maine and one in Massachusetts. The one in Massachusetts was the conversion of a parish credit union from a Federal chartered credit union to a State chartered credit union and it worked out very well, but there were certain circumstances, in the particular instance, which justified the conversion.

The one in Maine is one with reference to a municipal group, and as of 6 months ago when I had some correspondence with the Bureau in regard to this, and with the Maine credit union people, I found that there was some difficulty between the Bureau and the Maine people, about clarifying the regulations and the law relating to this. So I just want to add my own personal observation, that there ought to be, I respectfully submit, some definite rules about this, whatever rules this committee thinks are desirable.

The next amendment is to make a provision for making robbery of a Federal credit union a crime under Federal statute.

And this proposed amendment would permit the Federal Bureau of Investigation to assume jurisdiction in instances of robbery, as well as the others. And I think that—and I respectfully submit that this is a desirable change.

The next amendment is to expand the provisions of the act to include the several Territories and the several possessions of the United States. And the purpose of this is to eliminate the need for future amendments in order to allow for the establishment of Federal credit unions in the U.S. Territories, and possessions hereafter created.

Other amendments, which I will not refer to, are included to modify various sections of the act and these are to modernize the act without making substantive changes.

Now, the first witness following me is Mr. Cecil Burdick, director of the Credit Union National Association from Texas.

Mr. PATMAN. Mr. Burdick, come around, please. You may stay there, Mr. Stone, if you desire.

Mr. JOHNSON. Mr. Chairman, I think it would be appropriate to say at this time that Mr. Vance Austin has been for many years a distinguished resident of my district and a distinguished public servant in the State of Colorado.

Mr. AUSTIN. Thank you.

Mr. PATMAN. Mr. Burdick, you may proceed.

**STATEMENT OF CECIL BURDICK, NATIONAL DIRECTOR OF CUNA,
FROM TEXAS**

Mr. BURDICK. Mr. Chairman and members of the committee, my name is Cecil Burdick. I live in Longview, Tex. I have been the treasurer of the Humble Employees Longview Federal Credit Union since it was organized in 1936, 23 years ago. I have been a director and secretary-treasurer of the Texas Credit Union League since 1941—18 years. I have been a director of the National Credit Union Association for the past 16 years, and a vice president of the association in 1957 and 1958. I have held and still hold many positions as committee member of credit union groups nationally, regionally, and in my State. All of these positions have been on a voluntary, nonpaid basis. I tell you this so you will know that my credit union background gives me wide knowledge of credit union operations and problems.

For example, in my district we have 61 credit unions and in the State of Texas we have over 1,100 credit unions with 600,000 members. I personally have knowledge of the operation of many of these credit unions and directly or indirectly hear of most major problems affecting any of them and credit unions generally throughout the Nation.

Many of the problems which come to my attention result from the restriction in the law prohibiting Federal credit unions from lending a member more than \$400 on his own signature. In 1949 Congress amended the Federal Credit Union Act to allow credit unions to make signature loans to individual members up to \$400. Ten years ago a \$400 limit was satisfactory in most cases. But, as you gentlemen know far better than I, 10 years ago the dollar would buy far more goods and services than today's dollar.

For example, my records show that in 1950 the average loan made by my own credit union was \$529, whereas last year the average loan totaled \$753. We made practically the same types of loans in 1958 as we did in 1950, yet you see that the amount of the average loan increased by over 42 percent. Requests for signature loans have increased by about the same percentage in amount, but the limitation in the present Federal Credit Union Act has prevented granting unsecured loans in an amount greater than \$400. Congress and the credit union leaders felt 10 years ago that a man's signature was worth \$400; today we feel that the rising costs of commodities and services, coupled with the progressive growth in knowledge on the part of credit unions of the character and financial responsibility of their members, warrant a substantial increase in the signature loan limit.

As you gentlemen know, each Federal credit union has a credit committee that passes upon every individual loan. The members of the credit committee quite often decide that a borrower's character or his financial condition make it necessary to reduce below the maximum signature loan limit the amount the credit union will lend him without additional security.

If you gentlemen see fit to grant us an increase in the amount of the maximum signature loan limit, the credit committees of these credit unions will still exercise their right to grant a lower amount when they deem such limitation to be necessary.

Daily, the credit committees of hundreds of Federal credit unions throughout the United States have members who desire to borrow

up to \$1,000 for very provident and productive purposes. Often these would-be borrowers are considered by the credit union to be well worth the amount requested on their own signature, and the borrowers know that with their well established credit rating they can go to other types of lending agencies and get the amounts they need—usually at a much higher rate of interest—without any questions and on their own signatures. But, of course, they would rather borrow from their own credit unions. They come to us. We are forced to say, "John, or Bill, we are very sorry, but the Federal law will allow us to lend you only \$400 on your own signature. If you'll furnish us some other collateral, we'll be glad to lend you the \$800 you need. We know you have an excellent credit rating and character, and that your signature is well worth the \$800, but the law says otherwise."

I had an example of that just a few weeks ago. We had a man who had been sick, had an operation in the first part of the year, and had secured permission to delay his income tax return. I personally helped him work it up. He had last year sold some stock, anticipating this operation, and had made a considerable profit on the stock, which made his income tax \$683 more than had been withheld from his income.

He came to my credit union, came to me, and asked me if we would loan him this \$683, since the operation had taken most of the money or profit he had made on the stock. I told him we would be glad to loan him the \$400, or he could get some cosigners and we would loan him the \$683, which he finally did. But he was a man that any of us would have been glad to loan the \$683 without question of collateral, had we been permitted under law.

You can understand that we make a poor impression on that member when we are forced to tell him, in effect, that he must go elsewhere to get the money he needs, and we know he can and will repay.

Gentlemen, in light of rising prices which have created needs for larger loans and our increased knowledge and excellent experience in making signature loans, isn't it reasonable to expect that the signature loan limit should be increased substantially? We earnestly feel that a \$1,000 signature loan limit is realistic, and would enable Federal credit unions to more adequately and effectively serve the credit needs of their membership.

I urge you gentlemen to support all of the revisions of the Federal Credit Union Act contained in these bills, including the amendment which would increase the signature loan limit to \$1,000.

Thank you very much for allowing me to present this statement to you.

Mr. PATMAN. Are there any questions? If not, thank you very much, Mr. Burdick.

Call your next witness, Mr. Stone.

Mr. STONE. Our next witness, Mr. Chairman, and members of the committee, is Mr. Louis Bonderefsky, director of the Credit Union National Association from New York.

Mr. PATMAN. Mr. Bonderefsky, you may proceed in your own way sir. Identify yourself first.

STATEMENT OF LOUIS BONDAREFSKY, NATIONAL DIRECTOR OF CUNA, FROM NEW YORK

Mr. BONDAREFSKY. Mr. Chairman, members of the committee, my name is Louis Bondarefsky. I am a director of the Credit Union National Association from New York and treasurer of the Grand Central Terminal Employees Federal Credit Union in New York City. I have served as an officer of this credit union since 1936. I also am treasurer of the New York State Credit Union League, which serves more than 1,000 credit unions with approximately 600,000 members. Approximately 850 of these credit unions, with nearly 450,000 members are federally chartered.

I would like to register firm support of the credit union bills under consideration and to urge favorable action by this committee on this legislation which is so essential in order to enable our Federal credit unions to continue to serve the thrift and credit needs of their millions of members as effectively as in the past.

I would like to particularly address myself to the proposed amendment which would permit loans to directors and committee members up to the amount of their shareholdings in the credit union, plus the total unencumbered and unpledged shareholdings of any member pledged as security for the obligation of such director or committee member. At present such officials are restricted to loans which may not exceed the amount of their shareholdings in the Federal credit union represented by shares thereof.

The present provision in the act places a hardship on those officials who are willing to render volunteer service but have the same credit needs as other members. In my own experience, covering 23 years, I have known of several instances where officials have been forced to resign from office because they required a loan in excess of their personal shareholdings.

Also, many capable and experienced members are reluctant to assume office due to the restriction which is placed upon them. As a result, credit unions often lose the benefit of the most capable leadership.

There are 36 credit unions serving the employees of the New York Central Railroad system with approximately 61,000 members. Some of these credit unions operate under State law. The officials of these credit unions are permitted to borrow in excess of their personal shareholdings, with some limitations.

The New York State credit union law was enacted in 1912. Officials of New York State chartered credit unions are also permitted to procure a loan in excess of shares, with certain limitations. Experience has shown no violation of trust or conflict of interest on loans of this type.

There are five "officer credit unions" in New York where Federal credit union officials are eligible for membership. However, these organizations have not met the credit needs of such officials, due to policy variations within these credit unions.

The manner in which the proposed amendment would alleviate the current problem can possibly be best pointed up by means of an illustration. An official of a Federal credit union has \$200 in shareholdings, but requires a loan in the amount of \$400. His wife, an-

other member of his family, or a friend having \$200 or more in unencumbered shares, could act as a cosignatory on the note and thereby allow the official to obtain the entire amount needed. This limited liberalization would help the officials with their credit needs, and at the same time retain due regard for the safety of the funds of the membership.

I therefore respectfully solicit favorable action by this committee on this and the other amendments in the credit union bills under consideration.

Mr. PATMAN. Thank you, very much, sir.

You may call your next witness.

Mr. STONE. Mr. Chairman, Mr. Bonderefsky communicated to a few of us some instance which he had in his credit union in New York, which may be of interest to the committee. May I have him communicate that to the committee at this time?

Mr. PATMAN. Certainly, sir.

Mr. BONDEREFSKY. Thank you, Mr. Chairman. I want to point out one instance where an employee of ours was in difficulty in matrimony. He was a man in his middle sixties, who had married for a second time. Apparently, the lady that he married, according to himself, was not a lady. She took just about everything that there was in sight, left him, and sued for support.

This thing went through the courts of New York, and the man was in and out of alimony jail, and his own conscience wouldn't permit him to do his work satisfactorily, and it was a question of whether or not he could retain employment.

Through the credit union I was able to deal directly with the attorneys involved, and we were able to come to a compromise where all outstanding alimony would be disregarded, and that the credit union would see to it that as long as this man was employed we would send this lady \$15 every 2 weeks. We did that for about 5 years without any cost other than 3 cents for a postage stamp to this individual.

Mr. PATMAN. And you restored him fully, I assume.

Mr. BONDEREFSKY. We restored him fully until the date of his retirement.

Mr. PATMAN. Thank you, sir.

Mr. STONE. The next witness is Mr. John V. Nation, who is director of the Credit Union National Association from Ohio.

Mr. PATMAN. Mr. Nation, we are glad to have you. You may proceed in your own way, sir.

STATEMENT OF JOHN V. NATION, NATIONAL DIRECTOR OF CUNA, FROM OHIO

Mr. NATION. Mr. Chairman and members of the committee, my name is John V. Nation. I am a director of the Credit Union National Association from Ohio, and a past president of the Ohio Credit League, which serves some 1,100 credit unions with more than 550,000 members throughout Ohio. Approximately 500 of these credit unions, with almost 300,000 members, are Federal credit unions.

In addition, I am treasurer of two federally chartered credit unions—the Spicer Federal Credit Union which serves employees of the Toledo (Spicer) division of the Dana Corp., and the Co-op Fed-

eral Credit Union which serves members of the Toledo Consumers Cooperative Association.

Because of changing conditions there is an urgent need for enactment of the credit union bills currently before this committee.

One of the proposed amendments of particular interest to me would permit appointment by the credit committee of one or more loan officers authorized to approve loans up to the unsecured limit or in excess of such limit if fully secured by unpledged shares.

This would allow Federal credit unions to furnish the type of prompt loan service which their members have a right to expect and which they ought to be able to provide. This is especially true in view of the fact that their members can obtain this prompt service from practically any other financial institution.

I believe my own credit union, which serves employees of an industrial plant, as do a substantial portion of all Federal credit unions, is an almost perfect example of why this provision is so urgently needed. Our main plant spreads over several acres and also has operations in another building located in such a way that it is necessary to travel about 5 blocks to go from one plant to the other. Although both plants are located on property owned by the corporation, and on one large parcel of real estate, the two plants are different divisions and therefore separate. Since the credit union serves all of the employees of the corporation, and is desirous of cooperating to the fullest extent with company management, it is necessary that we provide our services in such a manner as not to interfere with production schedules, and if at all possible, to complement these operations. This is difficult under the current requirement in the act that no loan may be made unless approved by the credit committee at a meeting at which the application for such loan is considered.

Through loan officers the credit needs of the members could be handled more expeditiously and with a minimum of interference with company production schedules, since approval at physical meetings of the credit committee would not be required on an appreciable portion of the loans. This would also lighten the burden of the credit committee, the members of which make their living working for the company and donate their services to the credit union.

Further, many times employees receive messages on the job relating to some family emergency for which the credit union could provide immediate funds, if it had a loan officer. Under present circumstances, immediate emergency credit service is not practical.

Mr. Chairman, may I cite an example of this?

Mr. PATMAN. Certainly you may do so.

Mr. NATION. I would like to tell you of a case. A fellow went fishing on payday. He was a man who had 10 children. He had his paycheck in his pocket, and he had made a practice of depositing 25 cents, 10 cents, 15 cents, depending on the age, for each child in the savings account.

On his fishing trip, the boat capsized and he was drowned. His widow appealed to me by phone the next day, which was on a weekend, for help, with 10 children and no paycheck, since he had it in his pocket, and she needed it for food.

Had we had a loan officer it could have been handled very quickly. But it required quite a substantial amount of negotiating and tele-

phoning, to satisfy the need. That is an example of the emergencies that can occur, and believe me, she needed the money to feed 10 children.

And, incidentally, also it lends to defeating the basic purpose of thrift if we can't encourage the people to save, if they are not able to get loans on an emergency basis, of their own funds, quickly, it defeats the purpose of encouraging thrift.

Mr. PATMAN. I notice you said that this individual deposited a certain amount each month from his paycheck into a thrift fund for each 1 of his 10 children. Is that a common practice?

Mr. NATION. Another example I might cite is this: We opened an account a few weeks ago, with no first name for the child, because the child hasn't been born yet. We have regular deposits for three or four accounts each week, as the paycheck is cashed, in lots of families. It is common practice to build up funds for education.

Mr. PATMAN. I am impressed and that is real encouragement to thrift.

Mr. NATION. That amounts to between \$35,000 and \$50,000 a month in our case.

Mr. PATMAN. Just the thrift accounts for children?

Mr. NATION. Yes, sir.

Mr. PATMAN. Thank you.

Mr. NATION. Gentlemen, I could cite you other specific conditions that point up the need for every one of the changes requested in the bills before you. The improvement these changes would effect in the act is very evident to those of us who live with credit union work daily in our jobs as credit union treasurers and officials. At times conditions arise that make it impractical to follow strictly the letter of the law and even necessitate slight evasions because needed changes are not made promptly enough in the law to keep up with the changing conditions at the grassroots level.

I would, therefore, urge this committee to act favorably upon the bills before them. Thank you for the courtesy of allowing me to present this statement.

Mr. PATMAN. Thank you, Mr. Nation.

You may call your next witness, Mr. Stone.

Mr. STONE. The next witness will be Clarence O. Cherry, director of the Credit Union National Association from Colorado.

Mr. PATMAN. Mr. Cherry, we are delighted to have you. You may proceed in your own way. We have a member of our subcommittee from Colorado and we are very proud of him.

Mr. CHERRY. You might add from my district, Mr. Chairman.

Mr. PATMAN. Thank you.

STATEMENT OF CLARENCE O. CHERRY, NATIONAL DIRECTOR OF CUNA, FROM COLORADO

Mr. CHERRY. Mr. Chairman and members of the committee, my name is Clarence O. Cherry, and I am a director of the Credit Union National Association from Colorado, and treasurer-clerk of the VAR-39 Federal Credit Union in Denver, Colo. This credit union serves Federal employees of the Veterans' Administration regional office in Denver. Approximately half of Colorado's 260 credit unions are federally chartered credit unions. The total credit union membership in

Colorado is more than 150,000, almost 10 percent of the State's population.

I should like to add that those figures are as of December 31, 1957, and there have been proportionate increases.

I appreciate this opportunity to appear before you in the interest of the members of all our Federal credit unions. We sincerely hope that you will act favorably on the bills before you, all of which contain desirable changes. I would like to devote the major portion of my statement to the amendment to increase the signature loan limit, or unsecured loan limit, from \$400 to \$1,000, since this is one of the primary areas of concern to us.

1. As you probably know, when an application for a loan is considered, the purpose of the loan, the member's ability to repay, and the member's character are the major determining factors. Security on loans up to \$1,000 is often taken simply to satisfy the act. On the basis of experience we know that a person who wants to and is able to repay a loan up to this amount will do so.

2. Loans requiring security are time consuming in terms of record-keeping and create additional expense through the processing of mortgages, the paying and recording of fees, additional postage, materials, etc. If the proposed change meets with your approval and we are permitted to grant loans up to \$1,000 without additional security, it will reduce these expenses and allow Federal credit unions to operate more efficiently. Of course, the credit committee or a designated loan officer would carefully consider such larger signature loans in order to fully protect members' shareholdings.

3. Many State chartered credit unions, as well as other types of lending institutions, are not restricted to signature loans in the amount of \$400. In some instances there are no restrictions at all in the State credit union act.

The present limitation in the Federal Credit Union Act results in many members in need not availing themselves to the fullest extent of our credit facilities. Often they obtain much larger amounts elsewhere on their signatures. Of course, the cost is usually greater—often several times greater—than our credit union rate of interest.

4. Our expanding economy and standard of living in this country have created a situation in which \$400 can no longer be considered a great deal of money. For example, if a member in Denver, Colo., requires an emergency loan for the purpose of visiting his mother who is seriously ill in New York, the cost of plane fare, hotels, meals, incidental expenses, caring for his own family, etc., will obviously exceed \$400. The present requirement that security be obtained on the excess amount creates a problem and delay in processing these loans that is highly undesirable. Credit unions have always considered service to the member as their primary objective.

5. Congress has progressively increased the signature limit from \$50 in the original Act to \$100 in 1940, \$300 in 1946, and \$400 in 1949. Our experience on loans of this type has been very good over the years. The knowledge we have acquired concerning the character and financial responsibility of our members warrants the proposed increase in the signature loan limit.

Your approval of the credit union amendments before you is earnestly solicited. I very much appreciate the opportunity to present this statement to you.

Mr. Chairman, with your permission I would like very much to add one comment.

Mr. PATMAN. You may do so, sir.

Mr. CHERRY. I would like to take this opportunity to compliment our Congressman Johnson on his suggested amendment that he made this morning, pertaining to members who leave the field of membership in our Government agency Federal credit unions, and as you gentlemen perhaps know most of our credit unions provide life savings protection, and in many instances these folks are required to leave membership through no choice of their own because of various economy programs and other situations that arise in the Government, and it is necessary to have a reduction in force, and these people, as I state, have no choice in the matter, they are forced to terminate their employment, and in many instances go into various types of industrial employment.

In some instances, now, these persons are passed the age of 55, and the primary purpose for acquiring their savings was to acquire this additional insurance protection for their family, so that we are literally taking away from them this protection and service that we assured them they would be provided through our credit unions. Again I want to personally congratulate you, Byron, I think you picked up a very important and pertinent point and thank you all very much for this opportunity.

Mr. PATMAN. Thank you. Are there any questions?

Mr. JOHNSON. Thank you, Mr. Cherry. Since you do represent a Federal employees credit union, could you comment? Do you encourage persons who do drop out of Federal employment before retirement to stay in your credit union if they can?

Mr. CHERRY. I think, Congressman Johnson, I might say this: That our potential membership at this moment, that is the number of employees on duty, is, 1,349, and our actual membership is 1,942.

Mr. JOHNSON. You have answered my question.

Mr. PATMAN. Thank you very kindly, sir.

Mr. Miller.

Mr. MILLER. I know that this has probably been stated in previous hearings, but I think this record should show, either from Mr. Cherry, or Mr. Burdick, or Mr. Bonderefsky, some evidence as to why you gentlemen give so much of your time to this tremendous institution of the credit unions, so that we can have it on the record for the benefit of other members of Congress who may not be familiar with it. I think that either one or all three of them might give some indication, something about how much they are paid, who pays for their being here, and why do you give so much free time.

Mr. CHERRY. I don't know that I am the person qualified, but in my own case I would certainly be happy to state that I am employed by the Veterans Administration, in the Department of Medicine and Surgery, for the particular purpose of serving all of the amputee and hard of hearing veterans throughout the world, in addition to the British and Canadian veterans who reside in the United States and whom our country is reimbursed for serving.

My association with a credit union is purely for the purpose of doing something in this world to help our fellow man, and it is perhaps closely related to your work as a Congressman. I am sure that you certainly don't get paid for the effort that you put into your

duties, and the time that you spend in trying to make this a little better place for us Americans to live in, and to determine it I think would be difficult. I am a member of the Southwest Adams County Volunteer Fire Department, which is a similar organization. Well, I guess there are those of us who just seem to get a great deal of satisfaction from being in a position where we can do something to help our fellow Americans, and also our friends in other countries, enjoy a little better way of life.

Mr. MILLER. Thank you.

Mr. AUSTIN. Mr. Chairman, I wonder if we might ask Mr. Cherry who is paying for the time that he is putting in here today.

Mr. PATMAN. We are not asking him the question. He may state it if he wishes.

Mr. CHERRY. I am willing to state, Mr. Chairman, I am here on my vacation time and I have practically exhausted it on credit union business this early in the year. I am on annual leave from the Government.

Mr. PATMAN. Thank you, sir.

You may call your next witness.

Mr. STONE. Mr. Chairman, may I add that it is my understanding that Mr. Johnson's amendment, as it relates to those who leave the sphere of operation, was only applicable to the question of space that we were talking about at the time.

Mr. JOHNSON. It was suggested to me by that provision, which seemed to be unduly restrictive, especially in view of the statistics Mr. Cherry has just given us. It seems to me that the 95 percent rule, if it were to count only present employees and retired persons, would obviously put them in a very embarrassing position. I think the intent of your amendment would be better served by counting the status of the members when they were admitted.

Mr. STONE. Yes, sir, and I wanted to make clear that the matter of 95 percent applies only to the question of space in field buildings.

And Mr. Chairman, could we recall Mr. Nation to answer the question that Mr. Miller asked.

Mr. MILLER. I would like to hear his answer.

Mr. STONE. All right, Mr. Nation.

Mr. NATION. In my case, I might say that I was merely a factory worker. However, when I left my work in the factory, I was making about \$5,000 a year to start on the treasurer's job at \$2,750, and after about 8 months on the treasurer's job, the company offered me a job with the company at approximately \$7,500, and after consulting with the wife, who spends the money, and since she, incidentally, doesn't have time to do all of her housework because she helps me with the bookkeeping on the volunteer job at the Co-Op Credit Union, she felt I should stay on credit union work and as a result I have remained there. I turned down the offer from the company. Granted, my salary is substantially more than \$2,750 now. However, I still would be making more with the company, on the company job, and although the plant manager seemed to think I was sort of crazy at the time, he has since come back to me and complimented me on staying on the job in the credit union.

I have heard the remark at different times, that you don't have to be crazy to want to be a credit union treasurer, but it will certainly help.

Mr. PATMAN. Mr. Johnson.

Mr. JOHNSON. If I might offer a purely professional comment here. There are two kinds of income. There is cash income and psychic income. The credit union apparently pays off more in psychic income than in cash.

Mr. PATMAN. Well, we have some mighty fine people engaged in credit union work.

Mr. MILLER. Mr. Chairman, I wonder if we could include in the record some diagrammatic representation of the relationship between these various levels of credit unions.

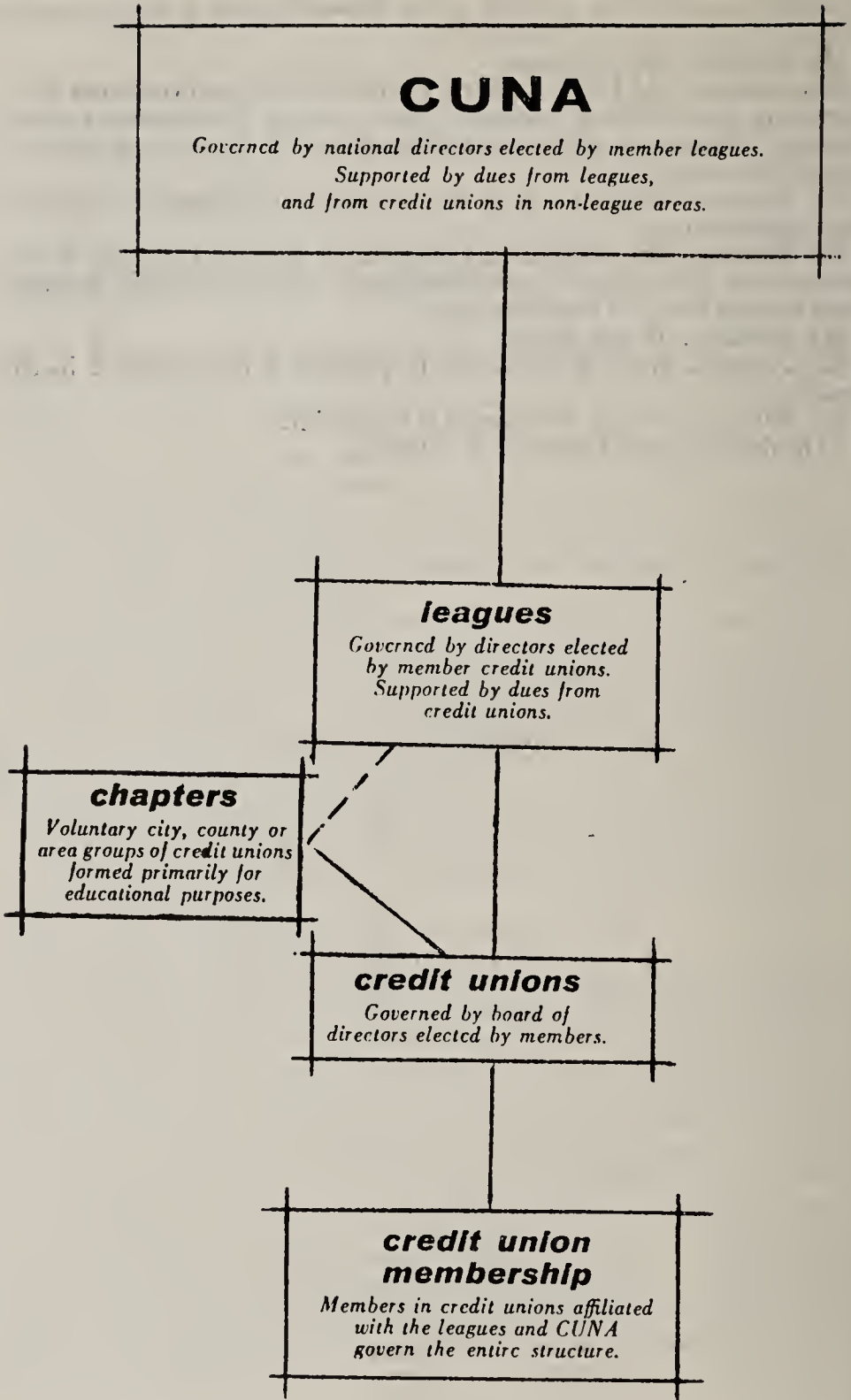
Mr. PATMAN. If you desire.

Mr. AUSTIN. We will be happy to prepare it and insert it in the record.

Mr. PATMAN. It may be inserted at this point.

(The data requested above is as follows:)





Mr. STONE. May we have the reply to Mr. Miller from Mr. Burdick, Mr. Chairman?

Mr. PATMAN. Yes, sir, Mr. Stone.

Mr. BURDICK. Mr. Chairman, and Congressman Miller, I have wondered myself, for the 23 years I have been in this movement, why I devote so much time to it free of charge, but if I sat here today and listed all the organizations that I contribute a world of time to, it would take the rest of this man's time. I would like to say one thing; I have contributed 9 years to Little League Baseball, and 23 years to the credit union movement, and both of them have actually cost me substantial sums of money. I spend all of my vacation time in one or the other of those activities. But it is something that comes down to your heart, and you just get enjoyment out of being able to help your fellow man.

My pay check comes from an oil company, and they complain because I only work about 4 hours a day for them.

Mr. PATMAN. Thank you, Mr. Burdick.

Mr. JOHNSON. Mr. Chairman, I think it should be noted that many a company has called the credit union people in to organize the credit union, because the credit union can give kinds of service that otherwise cause the personnel office a lot of trouble, and that the credit union actually turns out to be a real boon to the morale of the company. Would you comment on that, Mr. Austin?

Mr. AUSTIN. Thank you very much, Congressman Johnson. That statement is definitely true. In many instances it is the company, the parent organization itself, which gets in touch with people in the credit union movement and says "Come over and help us organize a credit union," which won't belong to the parent company, but will belong to the employees strictly and is turned over to them by the parent company.

But most personnel managers, most corporate management, feel that the credit union is a real asset to the corporation, and in nearly every instance where there is a credit union, there is an excellent relationship between management and the credit union for just the things that Congressman Johnson mentioned.

The management of a corporation feels that this is a way in which employees can help themselves, but very beneficially to corporate management. An employee who isn't having financial troubles because his credit union helps him out isn't also having a lot of troubles with his corporation or at his bench or desk that he would otherwise be having.

So the corporations give of their time, and of their money, too, to the credit union movement, for some of the same reasons that these people have been mentioning. It is a matter of satisfaction to many corporations, in that a corporation can have a soulful satisfaction, to think that they are actually helping their employees in ways over and above any possibility of a pay check. It is helping them help themselves, in a credit union way, to find a little more financial security which gives them a little more personal security as the Congressman mentioned. Thank you.

Mr. PATMAN. Thank you, sir.

Mr. BONDREFSKY. Mr. Chairman, members of the committee, you have heard it stated here that it helps maybe to be a little bit crazy to be in this movement. I am with the New York Central and started as a fileclerk 38 years ago. I believe I was on the job about 6 months when someone passed the hat around because of a death and asked if I wouldn't contribute a quarter toward flowers. I very graciously gave my quarter. About a month later, the same collector came around, and when he stated the cause, I looked at him, with my hand in my pocket, and I guess he thought to himself, "You don't have to give if you don't want to," and I suggested I would be happy to give the quarter but I wanted him to answer one question. "Do you ever do anything for anybody before they die?" I then started a little fund that I called a sick and flower fund and I exacted at least 5 cents a payday twice a month from the employees in the area, and we had this fund where we could buy these flowers, purchase a little gift for an individual whose wife went to the hospital or had a baby, where we might have \$5 or \$10 to lend a man from payday to payday, until one of our people read an article about credit unions on his way to work. They talked about this, and said, "If this is half as good as it sounds we would like to get Lou to look into this." It has been the happiest time of my life in my nearly 24 years of association, I have met the finest people, people that are really devoted, people that want to help their fellow man, and I can only say that it has been a real privilege for me.

By the way, I am here at loss of pay. My company docks me a day's pay to come here. And I am very, very happy to be able to contribute it.

Mr. PATMAN. If I understand correctly, there is only one paid officer in each credit union, is that right?

Mr. BONDREFSKY. That is correct, the only one you can pay is the treasurer.

Mr. PATMAN. All the rest of them serve free?

Mr. BONDREFSKY. Volunteers.

Mr. PATMAN. And give all this free time and even lose money. It is a wonderful service, and I am proud of every one of you. Are there any other questions, gentlemen?

Mr. JOHNSON. I would like to thank you for the very fine statement, I think this epitomizes the situation in almost every credit union in the country.

Mr. BONDREFSKY. Thank you, very much.

Mr. PATMAN. Thank you.

Mr. AUSTIN. This points up the one thing we mentioned a moment ago, asking in the law that it state that only one person can be paid.

Mr. PATMAN. Yes, sir, it makes it the law rather than regulation.

Mr. AUSTIN. That is right. The income that one man can be paid is interesting in that there are so many in each credit union that give so freely of their time. Undoubtedly you Congressmen have given of your time to credit unions. I know that Congressman Johnson has served on these boards and committees where he has been acting but it is a basic precept of the credit union, that a person who gives his whole time must be compensated so he can live but it is a basic principle that others who contribute part of their time must do so for the satisfaction they get out of helping their fellow man and we

think it would be to the detriment of the movement if there should be other paid personnel in the officer group.

Mr. JOHNSON. Thank you.

Mr. PATMAN. Call your next witness, please.

Mr. STONE. James J. Girvan, Director of the Credit Union National Association from Pennsylvania.

STATEMENT OF JAMES J. GIRVAN, NATIONAL DIRECTOR OF CUNA, FROM PENNSYLVANIA

Mr. GIRVAN. Mr. Chairman and members of the committee, my name is James J. Girvan, and I should like to point out to you, or refer to the opening remarks of the chairman, when he stated that Mr. Stone was the newly elected president of the Credit Union National Association. What he failed to state or perhaps didn't know is that I am the loyal opposition to Mr. Stone. Because I was not elected.

Mr. PATMAN. That is evidence of fine cooperation among credit union members.

Mr. GIRVAN. Our presence here, of course, indicates our unity in the proposals presently before us. Mr. Stone and I may disagree on some matters. We most assuredly agree fully on these recommendations.

Mr. PATMAN. A fine recommendation for the dedicated type of service that you are all engaged in.

Mr. STONE. Thank you.

Mr. GIRVAN. I should also like to point out—I know Mr. Stone hasn't done it and probably won't do it. By profession he is an attorney, his office is closed today while he is here, and of course that indicates again the dedication of this man, my opponent, to the credit union movement. And I think it is remarkable that he should do something like this and make such a contribution. It is outstanding.

Mr. PATMAN. We think so, too, sir.

Mr. GIRVAN. Personally, I am an employee of the Railway Express Agency. I have been on leave of absence from that company for approximately 12 years to manage the Railway Express Credit Union.

In the Philadelphia area I am considered somewhat of a troubleshooter, and as I will state further, I am treasurer of another credit union at the present time, merely because of the fact that I do these jobs and have been doing them for some 20 years around town. There is no compensation with this, or the fact that for 12 years I have been the president and director, educational director of the Philadelphia chapter of credit unions.

In that period of time I have organized approximately 65 of these associations in the Philadelphia area. We are not compensated for that. It is a pleasure to do it, and I know that if compensation were available, I am pretty sure our conscience would annoy us and we wouldn't take it.

I am a director of the Credit Union National Association from Pennsylvania, and treasurer of two Federal credit unions in Philadelphia. One of these credit unions serves members of the Catholic Knights of Columbus; the other serves employees of the Railway Express Agency.

I also am president of the Pennsylvania Credit Union League (also an unsalaried position). As such, I represent approximately 600,000

persons who hold membership in Pennsylvania's 1,100 credit unions. More than 1,000 of these credit unions, numbering more than 500,000 members, are federally chartered. On their behalf I urge your support of the proposed recodification of the Federal Credit Union Act, or the bills containing specific amendments to the act, all of which include almost identical desirable changes.

Our Federal credit unions have enjoyed the happy privilege of serving their members with thrift service and low-cost credit for provident and productive purposes since 1934, when the act was originally approved.

The experiences of credit unions and the changes which have occurred in our economy since that time have given to the leaders of the individual credit unions, the State credit union league and our national association many opportunities to study needed and desirable changes in the existing law.

These studies were essential in order that the almost 10,000 Federal credit unions now operating could serve the thrift and credit needs of their membership most effectively under constantly changing conditions.

I would like to use this privilege of appearing before you to bring to your attention particularly the desirability and necessity of the proposed change to provide for Federal central credit unions.

Such Federal central credit unions would include within their membership both Federal credit unions and credit unions organized under the law of any State, the District of Columbia, the several Territories and possessions, the Canal Zone, the Commonwealth of Puerto Rico, and members of credit unions who are directors and committeemen of credit unions within a well-defined geographical area.

At the present time there are in operation Federal credit unions whose membership is restricted to directors and credit and supervisory committee members of both Federal and State credit unions and are commonly known as officer credit unions. These credit unions are restricted to operational areas within a State or a portion of a State.

Their share capital can be obtained only from these eligible directors and committee members, who are restricted as to loans in their own credit unions where they hold office to an amount equal to their own shares.

Although these officer credit unions endeavor to serve the credit needs of their membership, the funds available for this purpose are limited since the directors and committeemen that make up the membership prefer to purchase shares in their own primary credit union. Therefore, these officer credit unions have a very limited ability to serve their credit function. An additional source of funds is essential in order to remove a currently existing serious obstacle to the recruitment of the best qualified individuals to serve as credit union officials, due to loan restrictions on their own credit unions. This need can best be answered by the proposed Federal central credit unions.

The Federal central credit union can also serve as a very effective medium for satisfying the credit needs of the individual credit unions. Federal credit unions have the privilege in the present law of borrowing up to 50 percent of their unimpaired capital and surplus. This provision is designed to enable them to borrow to meet the loan demand of their own members when the accumulation of shares is less than their credit needs. In some credit unions this is a constantly recur-

ring situation. However, in attempting to borrow for this purpose, many credit unions experience a serious problem due to the reluctance of other financial institutions to make loans to credit unions and the difficulty, delay, and restrictions applicable to such loans when made by such institutions.

As a result, credit unions desiring to use their borrowing privileges must often seek loans from other credit unions. In so doing they frequently encounter the experience of being forced to make a number of loans in small amounts from several credit unions.

I should like to point out at this time that in the Philadelphia area we have 234 credit unions. When we desire to borrow from any one of them, it may be necessary to make 25 to 30 telephone calls before we find a credit union with funds available for loans. The enactment of this change would eliminate that deplorable condition—most disturbing, at least, condition.

This is caused by the fact that credit unions with funds in excess of their own member needs find it a desirable and provident business procedure to invest their funds in U.S. Government bonds and obligations and in other insured savings and loan institutions. In this manner they obtain some return on extra funds while retaining a reasonable amount of cash on hand to meet their own needs.

To redeem these investments in order to assist another credit union with a loan could result in a reduction in cash value in some instances and a loss of dividend or interest earnings in others. Therefore, the funds of other credit unions are not readily available for loans to other credit unions.

A large number of these credit unions would be willing to place a certain amount of their funds in the proposed Federal central credit union as an investment in shares of the central on which they would receive a reasonable dividend return. Their participation would be motivated by their desire to help other credit unions obtain loans through the central when such loans are not readily available elsewhere.

There are currently in existence State central credit unions within some States which operate under State law. The proposed revision of the Federal Credit Union Act would permit Federal credit unions to avail themselves of the share and loan facilities of such currently operating State central credit unions and also provide for establishment of Federal central credit unions to serve in the same manner in areas where State central credit unions are not permissible under existing laws.

The State central credit unions currently functioning have more than justified their existence in terms of achievement. There appears to be no theoretical or practical justification for not authorizing the establishment of Federal central credit unions where needed in order that Federal credit unions may also benefit from this mode of operation.

To sum up, the function of Federal central credit unions would be to accept credit union surplus funds for the purpose of making loans to credit unions and to officials of credit unions in need of credit.

The proposed Federal central credit unions would provide for a co-operative structure which has a very much needed and proper position in the true mutual purpose of credit unions.

The proposed Federal central credit unions could be established only by authorization of the supervising agency and would function within a well-defined geographical area.

The proposed Federal central credit unions would provide a medium for the mutual use of funds in the interest of the members of many credit unions, and eliminate existing handicaps created by conditions not within the control of the credit unions.

Your favorable acceptance of this portion of the proposed legislation and all other amendments before you is merited. Your approval is earnestly solicited.

Your courtesy to me, in extending the privilege of presenting these views, is sincerely appreciated.

MR. PATMAN. Are there any questions, gentlemen? If not, thank you very much.

MR. JOHNSON. Just for the record, there are presently no arrangements by which a Federal central credit union can be created?

MR. GIRVAN. That is correct.

MR. JOHNSON. And this would merely make available under the Federal law the powers now available in many States under State laws?

MR. GIRVAN. Yes, sir.

MR. PATMAN. That is a good way of putting it.

MR. GIRVAN. I might state, too, that I am appearing before you at my own expense today.

MR. PATMAN. Thank you kindly.

Call your next witness.

MR. STONE. Thomas J. Corbett, director from New Jersey.

STATEMENT OF THOMAS J. CORBETT, NATIONAL DIRECTOR OF CUNA, FROM NEW JERSEY

MR. CORBETT. My name is Thomas J. Corbett. I am a director of the Credit Union National Association from New Jersey and I am also vice president of the New Jersey Credit Union League. We serve more than 500 credit unions, with more than 250,000 members. About 440 of these credit unions, with approximately 233,000 members, are federally chartered credit unions.

And if I may at the outset I will speak about the few qualifications I have for being up here and working with credit union people. I have been in this work for 10 years, and I have met, as these other gentlemen have so ably testified before me, some of the finest people in the world, and we can use that very favorably now. At our last national convention we met people from as far away as the Fiji Islands. I met for the first time a gentleman from the Fiji Islands, a man who spoke perfect English and conducted himself very, very well at our national meeting. I have also met Hawaiians, people from Puerto Rico, British Honduras and various other faraway places. Of course, we have faraway places in our own country. If you are from the State of Washington and somebody else is from Florida you are a long way off. Yet the bond of credit union manages to bring all these fine people together and we do have an exchange of ideas and if it wasn't for the opportunity credit union has afforded me in getting around and meeting these people I would never know there were so many fine people in this country of ours.

The bills before you include all of the major substantive changes requested by CUNA. If we are to keep abreast of the economic conditions of our present-day world, it is imperative that we be realistic and bring the act up to date and in keeping with current standards. I would therefore like to register firm support of these bills and solicit your favorable action on them.

I would like to call your attention particularly to the proposed amendment to increase the loan maturity limit from 3 to 5 years. This would allow Federal credit unions necessary flexibility in meeting the demands of their members for various types of loans.

In 1934 a 2-year maturity limit was considered to be sufficiently long for a person borrowing money for personal reasons. In 1949, because of changing conditions, Congress saw fit to increase this limit to 3 years. Today, however, because of the reduced value of our dollar, it takes more of them to do anything worthwhile. As a result, the amount of the average loan needed has increased appreciably.

For example, in 1934 I bought a brandnew Ford four-door sedan with a radio and heater for \$744. Today that is just about the down payment on a new Ford, if you were to put one-third down and carry the balance as a car loan with a financial institution. An increase in the maturity limit to 5 years would merely bring the Federal Credit Union Act into accord with current loan requirements.

I did not mention in the beginning that I am captain of a fire department in Jersey City—and I had better—or my following remarks would have you mixed up.

Many of our firemen own homes having mortgages, and from time to time they consult with me for a home improvement loan. A fireman has a civil service job and is generally considered a good credit risk. However, due to his limited income, he must think twice before committing himself to a home improvement loan, because he will be tying up too many of his hard-earned dollars in repaying the loan within 3 years.

To illustrate, if one of our firemen borrowed \$1,000 today at 1 percent per month on the unpaid balance for 3 years, his repayment schedule would be \$33.21 per month for the 3-year period. If the law were changed to provide for a 5-year maturity, the same fireman could borrow the \$1,000 for \$22.24 per month, which would leave an additional \$10.97 per month for application toward other necessary living expenses. To carry this a step further, instead of borrowing \$1,000 for 3 years at \$33.21, which may be inadequate for certain purposes in today's economy, the fireman could borrow \$1,500 for 5 years and pay \$33.36 per month, a 15-cent monthly increase, which would give the fireman an additional \$500 for necessary home improvements. This would allow the fireman to effect essential repairs and modernization of the home in which his family lives without unduly straining his limited income.

And if I may just digress for a moment I would like to say that I am vitally interested in furthering people's education, and I have made a nuisance of myself back home in trying to find out where I could help these firemen who are of limited income, get their young men and women scholarships for colleges. Because of the fact that a fellow gets about \$5,600 a year in today's economy, he can't very well take \$1,500 out of it to set aside for college requirements. As a result, they

come to me and they are more or less heartbroken when they find we can only allow them 3 years to pay back the \$1,500.

I have made very many inquiries and I found out that there are excellent scholarship funds available. For instance, one of the best, I think, is Navy ROTC program, and I am very happy to say that because I was curious I have one boy who did pass that, and was awarded a scholarship to the University of Detroit, which is one of the qualifying colleges under that particular program.

We also have another scholarship fund in the State of New Jersey, called the Andy Greer Foundation, and because I was curious again I am very happy to say that we have one person going through Stevens Institute, a very fine engineering institute in Hoboken, and we have another young man studying for his masters degree at the University of California. I think very strongly that if we could get this 5-year maturity limit we could very ably help our people to send their children to college in far better fashion than they are able to do at the present time.

I would like to close by urging you gentlemen to act favorably upon the amendment to increase the loan maturity limit from 3 to 5 years and upon the entire revision of the Federal Credit Union Act before you.

Thank you for your courtesy in allowing me to present this statement to you.

Mr. PATMAN. Thank you very kindly, sir.

You may call your next witness, Mr. Stone.

Mr. STONE. Harry M. Woodman, director from Michigan.

Mr. PATMAN. All right, Mr. Woodman, we are very glad to have you. You may identify yourself and proceed.

Mr. WOODMAN. Just for the matter of the record, sir, there is a change in the middle initial. It is Harry J. Woodman.

Mr. PATMAN. Thank you, sir. Before you get through I wish you would tell the committee what the credit unions are doing in Michigan toward making funds available to State employees who are not being paid.

Mr. WOODMAN. I will be very happy to, sir.

STATEMENT OF HARRY J. WOODMAN, NATIONAL DIRECTOR OF CUNA, FROM MICHIGAN

Mr. WOODMAN. I am a director of the Credit Union National Association from Michigan and also one of the paid officers of the credit union movement and treasurer-manager of the GMTC Employees Federal Credit Union. We serve the employees of GMC Truck and Coach Division, General Motors Corp.

I have also been a member of the board of the Michigan Credit Union League, the State association serving 1,100 credit unions in Michigan with approximately 850,000 members. Approximately 450 of these credit unions, with about 400,000 members, are federally chartered.

All of the changes in the bills before you have my wholehearted support and endorsement, and I would like to urge your favorable action upon them.

We in Michigan, while interested in the passage of all of the changes proposed, are especially interested in those provisions which would

authorize establishment of Federal central credit unions. As you may know, the last few years in Michigan have seen industrial upheavals and the dislocation of many plants and workers. Starting with the Kaiser-Fraser plant as early as 1953, through the closing of the Hudson Motor Car plants, the Packard Corp. and at least 40 others, Michigan credit unions have had to face the need for liquidity at a time when the common bond of membership of the credit union was being dissolved.

Normally in Michigan, whenever credit unions have surplus funds available for investment or need funds to meet immediate loan demands, they will contact the Michigan Credit Union League. League personnel will bring these credit unions together, arranging for the interchange of proper resolutions, loan papers, financial statements and audit reports. However, Michigan is a big State and when funds are interchanged this way, this process is not as efficient as it might be.

When done on short notice—under great pressure—the strain is considerable. In the Kaiser-Fraser case there was only approximately 3 weeks between the announcement of the plant closing and the actual closing. This required rapid improvisation. We could have done a much better job with appropriate machinery and trained personnel ready and able to meet these needs, which were not small. There were two credit unions in the Hudson Motor Car Co., each of which had assets exceeding \$1 million.

The strengthening of individual Federal credit unions in times of stress as described above, and in their normal everyday operations, helps to stabilize the entire credit union movement, both State and Federal. As in other financial institutions, the principal danger to stability arises when there is a lack of liquidity or inability to meet members' demands for cash. The ability of the credit union to meet any circumstance would be greatly strengthened by well-functioning Federal central credit unions.

Credit unions are an important factor in providing consumer credit in our economy. Estimates of the future funds needed to meet consumer credit demands made it clear that at the present rate of member savings, Federal credit unions will find it impossible to provide all the credit requested of them without more efficient allocation of their resources. We can do a better job for our members and be of more value to the entire economy if we are permitted to provide funds most efficiently at the point of need. This can be facilitated through Federal central credit unions, which would act as a source of additional funds and an investment medium for the credit union structure within a particular geographical area.

Therefore, Mr. Chairman, we support the provisions in the bills which provide for Federal central credit unions for the two major reasons discussed below:

1. To help us meet difficult situations created by conditions beyond the control of the Federal credit unions; and
2. To help Federal credit unions provide better consumer credit in the period of growth to come.

Mr. PATMAN. Thank you, sir.

Now, if you will, tell us about the situation in Michigan concerning these State employees who are not being paid and how the credit unions are aiding these people.

Mr. WOODMAN. Since this report was prepared and submitted to this committee we have had a very dramatic situation arise in Michigan that I think most of you are familiar with through the medium of the newspapers.

We have a serious situation in our treasury in the State of Michigan. May 7 was the normal semimonthly pay day of the State employees of the State of Michigan. These employees were not paid. The funds were not available.

We have quite a few State employee credit unions within the State of Michigan. So far, the volunteers in the credit union movement have come forward, gone to their credit unions, and made at least a million dollars available, from other credit unions, for loan to the State employee credit unions, at no interest, and they in turn are loaning the funds to the State employees to help them through their payless paydays, with no cost to the individual employees of the State.

I think this is a tremendous thing, and I think you can realize how much better we could do it if we had a Federal central credit union to handle this situation.

Mr. PATMAN. Thank you very much, sir.

Mr. WOODMAN. Thank you, Mr. Chairman.

Mr. PATMAN. Mr. Stone, I believe you said the next witness was not here.

Mr. STONE. That is right.

Mr. PATMAN. Would you like to file his statement?

Mr. STONE. That is right.

Mr. PATMAN. You may do so.

Mr. STONE. Thank you.

It is the statement of Mr. Perne R. Hutchinson, director of Credit Union National Association, Inc., from New Hampshire.

He is also a director of the New Hampshire State Employees Federal Credit Union and managing director of the New Hampshire Credit Union League, which serves approximately 50 credit unions, with about 25,000 members.

Ten of these credit unions, with about 18,000 members, are federally chartered.

The bills before you incorporate the changes needed by Federal credit unions if they are to continue to provide thrift and credit service to their members second to none, and I earnestly solicit favorable action upon them by this Committee.

There is particular interest on the part of my own credit union, and a number of others within the State, in the proposal to increase the loan maturity limit from 3 to 5 years. This would allow our credit unions to serve the credit needs of their membership more effectively and in accordance with present-day consumer spending and repayment habits.

I urge approval of this and all other amendments in the credit union bills.

Now, Mr. Chairman, may I take this opportunity of expressing my personal appreciation and the sentiments of the entire credit union movement for the courteous treatment you have accorded us, and the generous amount of time that you have allotted to us.

I hope that the Chair will give us the opportunity, should it become necessary, to submit further evidence, or recall some of these witnesses later during the course of the week.

Mr. PATMAN. Thank you, sir.

Now, you will be available here, along with Mr. Austin, while the hearings are going on?

Mr. STONE. Yes, sir, Mr. Chairman.

Mr. PATMAN. You have presented the testimony you would like to present?

Mr. STONE. Yes, sir.

Mr. PATMAN. We will have additional testimony tomorrow and the next day, and if something comes up that we want you gentlemen to be heard on, we will take the liberty of asking for you. If you know of something that you would like to be heard on that comes up, feel perfectly free to confer with me or any member of the committee.

Our committee is composed, in addition to myself, of Mr. Reuss of Wisconsin, Mr. Vanik of Ohio, Mr. Burke of Massachusetts, Mr. Miller of California, Mr. Johnson of Colorado, Mr. Bass of New Hampshire, Mr. Siler of Kentucky, and Mr. Milliken of Pennsylvania.

So we will expect to call on you gentlemen, if something comes up that we feel you should answer.

As I said, I shall be very glad, if any one of you who knows the credit union situation, knows of anything that should be brought to the attention of the committee, you can do it by conferring with me or any member of the subcommittee.

Thank you kindly.

That will be all at this time.

Now, you have some other papers here that I imagine you would like to present. One of them is the Federal Credit Union Act, Summary of Changes Proposed, which are numbered. I assume you would like to put that in the record, would you not?

Mr. STONE. Yes, sir, I would, Mr. Chairman.

Mr. PATMAN. That may be inserted.

(The data referred to above is as follows:)

**FEDERAL CREDIT UNION ACT—SUMMARY OF CHANGES PROPOSED IN VARIOUS BILLS
INTRODUCED IN U.S. CONGRESS IN 1959**

(All of these changes are supported by the Credit Union National Association)

1. Provides for the chartering of Federal central credit unions with a field of membership of Federal and State chartered credit unions, and directors and committee members of such credit unions within a well-defined geographical area.

2. Increase loan maturity limit from 3 to 5 years.

3. Increase signature loan limit from \$400 to \$1,000.

4. Permit appointment by the credit committee of one or more loan officers to approve loans up to the unsecured limit, or in excess of such limit if the excess is fully secured by unpledged shares.

5. Permit loans to directors and committee members up to the amount of their shareholdings in the credit union plus the total unencumbered and unpledged shareholdings in the credit union of any member pledged as security for the obligation of such director or committee member.

6. Permit investment by Federal credit unions in the shares of central credit unions.

7. Permit the charging of a reasonable fee for the cashing or selling of checks.

8. Provide for appointment of the supervisory committee by the president, one of whom may be a director other than the treasurer; such appointment subject to ratification by the board.

9. Provide for one or more vice presidents.

10. Change position called clerk to that of secretary.

11. Prohibit compensation to any director, committee member, or officer other than the treasurer for services rendered as such.

12. Permit appointment by the board of a membership chairman to act upon applications for membership within limitations prescribed by the board.

13. Authorize board to compensate necessary clerical and auditing assistance (requested by the supervisory committee) and loan officers (appointed by the credit committee).

14. Provide for declaration of dividends by the board of directors.
15. Permit annual or semiannual dividends as the bylaws of each credit union may provide.
16. Provide for review of an expulsion of a credit union member (if requested by such member) by the Director of the Bureau of Federal Credit Unions.¹
17. Permit dividend credit for a month on shares which are or become fully paid up during the first 5 days of that month.
18. Permit allocation of space in Federal buildings to credit unions having a membership composed at least 95 percent of persons who are either presently Federal employees or are retired employees and members of their families.
19. Expand act to apply to the several States, the District of Columbia, the several Territories, and the several possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico.
20. Include provision for conversion from Federal to State charter and vice-versa.
21. Include Bureau of Federal Credit Unions under provisions of Administrative Procedure Act.
22. Make robbery of a Federal credit union a crime under Federal statute.
23. Modify various sections of the act for the purposes of modernization and clarification, without making substantive changes.¹

Mr. PATMAN. Also the following papers containing a section-by-section analysis of the amendments. I believed you covered that in your testimony with the memorandum attached.

Mr. STONE. Yes, sir. I think I did, but we would like to have this included in the record.

Mr. PATMAN. It may be included.

The following pages contain a section-by-section analysis of changes too. I think that is pretty well covered. I don't think it will be necessary. However, we will look it over and see if it is necessary to put it in.

(The papers referred to follow:)

The following pages contain a section-by-section statement of the amendments to the existing Federal Credit Union Act (and the Federal Criminal Code), as proposed by H.R. 5777 and identical bills.

(Section numbers indicated in the margin are sections of H.R. 5777.)

Changes in existing law made by H.R. 5777 are shown as follows: Existing law proposed to be omitted is enclosed in black brackets, new matter is italicized, existing law in which no change is proposed is shown in regular type.

"DEFINITIONS

(12 U.S.C., sec. 1752; F.C.U. Act, sec. 2)

Sec. (1) (a).

“[A Federal credit union is defined as a cooperative association organized in accordance with the provisions of this chapter for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes. When used in this chapter the term ‘Bureau’ means Bureau of Federal Credit Unions, and the term ‘Director’ means the Director thereof.]

“SEC. 2. *As used in this Act—*

“(1) *The term ‘Federal credit union’ means a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes, and includes a cooperative association (hereinafter called a ‘Federal central credit union’) whose members are Federal credit unions and credit unions organized in accordance with the provisions of law of any State, the District of Columbia, the several Territories and the several possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, and*

¹ Not included in H.R. 5777 and identical bills.

located within a well-defined geographical area, and whose members may also be directors and members of the supervisory and credit committees of such credit unions;

"(2) the term 'Bureau' means the Bureau of Federal Credit Unions;

"(3) the term 'Director' means the Director of the Bureau of Federal Credit Unions."

Statement of purpose.—To further define a credit union to include Federal central credit unions with membership composed of Federal credit unions, State credit unions, and directors and committee members of credit unions; and to make section consistent with other amendments.

"FEDERAL CREDIT UNION ORGANIZATION

(12 U.S.C., sec. 1753 ; F.C.U. Act, sec. 3)

Sec. (1) (b). *"Any seven or more [natural] persons who desire to form a Federal credit union shall subscribe before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—* * *."*

Statement of purpose.—To eliminate the restriction upon subscribers to "natural" persons.

"POWERS

(12 U.S.C., sec. 1757(5) ; F.C.U. Act, sec. 7(5))

Sec. 2. *"(5) To make loans with [maturities not exceeding three years] maturities not exceeding five years to its members for provident or productive purposes upon such terms and conditions as this chapter and the bylaws provide and [as the credit committee may approve] as the credit committee or a loan officer may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances, inclusive of all charges incident to making the loan: Provided, that no loans to a director [office] or member of [a] the supervisory or credit committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member. No director [officer, or committee member] or member of the supervisory or credit committee shall endorse for borrowers * * *."*

Sec. 8(b).

Sec. 3(a).

Sec. 3(b).

Statement of purpose.—

Section 2: To increase loan maturity limit from 3 to 5 years.

Section 8(b): To permit appointment by the credit committee of one or more loan officers to approve loans up to the unsecured limit, or in excess of such limit if the excess is fully secured by unpledged shares.

Section 3(a): To permit loans to directors and committee members up to the amount of their shareholdings in the credit union plus the total unencumbered and unpledged shareholdings in the credit union of any member pledged as security for the obligation of such director or committee member.

Section 3(b): To make the language more specific by minor changes in wording.

"POWERS

(12 U.S.C., sec. 1757(7) ; F.C.U. Act, sec. 7(7))

"(7) To invest its funds (a) in loans exclusively to members; (b) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; (c) in accordance with rules and regulations prescribed by the Director, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; (d) [or] in shares or accounts of Federal savings and loan associations, and in shares or accounts of any other institution, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation [;]; or (e) in shares of Federal central credit unions and in shares or accounts of other central

Sec. (1) (c).

credit unions. Payments to, and withdrawals from, such central credit unions by a Federal credit union must be specifically authorized by the board of directors of such Federal credit union."

Statement of purpose.—To permit investment by Federal credit unions in the shares of central credit unions.

"POWERS

(12 U.S.C., sec. 1757; F.C.U. Act, secs. 7 (12) and (13))

Sec. 4.

"[(12)] (13) * * *

"(12) To charge members and individuals eligible to become members a reasonable fee for cashing or selling checks, not to exceed the direct and indirect costs incident to providing such service."

Statement of purpose.—To permit the charging of a reasonable fee for the cashing or selling of checks.

"MEMBERSHIP

(12 U.S.C., sec. 1759; F.C.U. Act, sec. 9)

Sec. (1) (d).

"Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Director, as may be elected to membership and as shall, each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that, *other than as provided in section 2(1) with respect to Federal central credit unions*, Federal credit union membership shall be limited to groups having a common bond of occupation, or association, or to groups within a well-defined neighborhood, community, or rural district. *A Federal credit union may, by authorization of its board of directors, become a subscriber to, or organizer or member of, a Federal central credit union or other central credit union. * * **"

Statement of purpose.—To define field of membership for Federal central credit unions; to make Federal credit unions eligible to subscribe to the charter for a central credit union.

"MEMBERS MEETINGS

(12 U.S.C., sec. 1760; F.C.U. Act, sec. 10)

Sec. (1) (e).

"The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote. *Federal credit unions having membership in a central credit union may be represented at annual or special meetings of the central credit union by one member duly authorized by the board of directors of the member Federal credit union. To the extent permitted by the articles or certificate of incorporation or bylaws of the central credit union, such representative shall have one vote and shall be eligible for office in the central credit union the same as though he were a member as an individual of such credit union."*

Statement of purpose.—To provide for representation by Federal credit unions in membership meetings of central credit unions in which they are members and to allow representatives of such Federal credit unions to be eligible for office in such central credit unions.

"MANAGEMENT

(12 U.S.C., sec. 1761(a); F.C.U. Act, sec. 11(a))

Sec. 5(a).

"(a) [Generally] The business affairs of a Federal credit union shall be managed by a board of not less than five directors, and a credit committee of not less than three members, [and a supervisory committee of three members (a majority of whom

shall not be directors) all to be elected by the members (and from their number) at their annual meeting, and to hold office for such terms, respectively, as the bylaws may provide.] *all to be elected at the annual members' meeting by and from the members (which, in the case of Federal central credit unions, shall be deemed to include the duly authorized representatives of the member credit unions), and by a supervisory committee of three members, one of whom may be a director other than the treasurer, to be appointed by the president from the membership promptly following the annual meeting, subject to ratification by the board at its next meeting. If the board fails to ratify the appointment of any member of the supervisory committee, the term of such member shall thereupon cease, and the president shall immediately appoint a replacement, subject to ratification by the board at its next succeeding meeting. Any vacancy occurring in the supervisory committee shall be filled in the same manner as original appointments to such committee. All members of the board and of such committees shall hold office for such terms, respectively, as the bylaws may provide. A record of the names and addresses of the members of the board and such committees and officers shall be filed with the Bureau within ten days after their election or appointment. No member of the board or of either such committee shall, as such, be compensated."*

Statement of purpose.—To provide for appointment of the supervisory committee by the president, one of whom may be a director other than the treasurer; such appointment subject to ratification by the board.

"MANAGEMENT—OFFICERS

(12 U.S.C., sec. 1761 (b) ; F.C.U. Act, sec. 11 (b))

Sec. 6.

"(b) OFFICERS.—[At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, a vice president, a clerk, and a treasurer, who shall be the executive officers of the corporation and may be compensated for their services to such extent as the bylaws may provide. The offices of clerk and treasurer may be held by the same person.] *At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, one or more vice presidents, a secretary, and a treasurer, who shall be the executive officers of the corporation. No executive officer, except the treasurer, shall be compensated as such. The offices of secretary and treasurer may be held by the same person. * * **

Statement of purpose.—To provide for one or more vice presidents; to change the position called "clerk" to that of "secretary"; and to prohibit compensation to any director, committee member, or officer, other than the treasurer, for services rendered as such.

"MANAGEMENT—DIRECTORS

(12 U.S.C., sec. 1761 (c) ; F.C.U. Act, sec. 11 (c))

Sec. 7(a).

"(c) DIRECTORS.—The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things [they shall act upon applications for membership] *they shall act upon applications for membership directly or shall appoint from among the members of the credit union (other than the treasurer or an assistant treasurer) a membership chairman who shall be authorized to act upon such applications for membership as the board may prescribe and who shall submit to the board at each monthly meeting a list of applications for membership received since the previous monthly meeting, together with such other information as may be required by the bylaws or the board; require any officer or employee having custody of or handling funds to give bond with good and sufficient surety in an amount and character to be determined, from time to time, by the board of directors in compliance with regulations pre-*

- Sec. 10(b). scribed, from time to time, by the Director, and authorize the payment of the premium or premiums therefor from the funds of the Federal credit union; [recommend the declaration of dividends;]
- Sec. 7(b). fill vacancies in the board and in the credit committee * * * [and, subject] *subject* to such regulations as may be issued by the Director, authorize an interest refund to members of record at the close of business on December 31 in proportion to the interest paid by them during the year; and *provide for compensation of necessary clerical and auditing assistance requested by the supervisory committee, and of loan officers appointed by the credit committee.*"
- Sec. 7(b). *Statement of purposes.—*

Section 7(a) : To permit appointment by the board of a membership chairman to act upon applications for membership within limitations prescribed by the board.

Section 10(b) : To make section consistent with other amendments.

Section 7(b) : To authorize board to compensate necessary clerical and auditing assistance (requested by the supervisory committee) and loan officers (appointed by the credit committee).

"MANAGEMENT—CREDIT COMMITTEE

(12 U.S.C., sec. 1761(d) ; F.C.U. Act, sec. 11(d))

- Sec. 8(a). "(d) CREDIT COMMITTEE.—The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month (of which meetings due notice shall be given to members of the committee) to consider applications for loans. [No loan shall be made unless approved by a majority of the entire committee and by all the members of the committee who are present at the meeting at which the application is considered.] *No loan shall be made unless approved by a majority of the entire committee and by all members of the committee who are present at the meeting at which the application is considered: Provided, That the credit committee may appoint one or more loan officers, and delegate to him or them powers to approve loans up to the unsecured limit or in excess of such limit if such excess is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the credit committee. No loan officer, including the treasurer or any assistant treasurer, shall have authority to disburse funds of the Federal credit union for any loan which has been approved by him. Not more than one member of the credit committee may be appointed as a loan officer. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan shall be made to any member, except in the case of a loan by a Federal central credit union to a member credit union, which shall cause such member to become indebted to the Federal credit union in the aggregate, upon loans made to such member, in excess of \$200 or 10 per centum of the Federal credit union's paid-in unimpaired capital and surplus, whichever is greater, or in excess of [\$400] \$1,000 unless such excess over [\$400] \$1,000 is adequately secured. For the purposes of this subdivision an assignment of shares or the endorsement of a note shall be deemed security.*"
- Sec. (1) (f). *Statement of purpose.—*
- Sec. 9. Section 8(a) : To provide authority for the credit committee to delegate to a loan officer power to approve loans up to the unsecured limit, or in excess of such limit if fully secured by unpledged shares.

Section (1) (f) : To make section consistent with other amendments in wording.

Section 9 : To increase the signature loan limit from \$400 to \$1,000.

"MANAGEMENT—SUPERVISORY COMMITTEE

(12 U.S.C., sec. 1761 (e) ; F.C.U. Act, sec. 11 (e))

"(e) SUPERVISORY COMMITTEE; DEFINITION.—The supervisory committee shall make, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; shall make an annual audit and a report to be submitted at the annual meeting of the corporation; and, by a unanimous vote, may suspend any officer of the corporation, or any member of the credit committee or of the board of directors until the next members' meeting, which said meeting, however, shall be held within 7 days of said suspension and at which meeting said suspension shall be acted upon by the members; and, by a majority vote, may call a special meeting of the shareholders to consider any violation of this chapter, the charter, or of the bylaws, or any practice of the corporation deemed by the committee to be unsafe or unauthorized. [The said committee shall fill vacancies in its own membership until successors to be elected at the next annual meeting have qualified.] *Any and all members of the supervisory committee may be suspended by the president subject to the approval of the board of directors, or by the board of directors subject to the approval of the members. In the latter case, a members' meeting to act upon such suspension shall be held within seven days thereof. The board of directors or the members, as the case may be, shall decide whether the suspended committee member shall be removed from or restored to the supervisory committee.* * * *

Sec. 5(b).

Statement of purpose.—To provide for suspension of any and all members of the supervisory committee if warranted.

"DIVIDENDS

(12 U.S.C., sec. 1763 ; F.C.U. Act, sec. 13)

Sec. 10(a).

"[At the annual meeting a dividend may be declared from the remaining net earnings on recommendation of the board of directors, which dividend shall be paid on all paid-up shares outstanding at the end of the preceding fiscal year.] *Annually, or semi-annually, as the bylaws may provide and after provision for the required reserves, the board of directors may declare a dividend to be paid from the remaining net earnings. Such dividend shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during such [year] dividend period and are outstanding at the close of the period shall be entitled to a proportional part of [said] such dividend [calculated from the first day of the month following such payment in full.] Dividend credit for a month may be accrued on shares which are or become fully paid up during the first five days of that month.*"

Statement of purpose.—To provide for declaration of dividends by the board of directors; to provide for an annual or semiannual dividend, depending upon which is provided for in the bylaws; and to provide that dividend credit for a month may be accrued on shares which are or become fully paid during the first five days of that month.

"CERTAIN POWERS OF DIRECTOR

(12 U.S.C., sec. 1766 ; F.C.U. Act, sec. 16)

" * * *

Sec. 11.

"(h) *In every case of an adjudication by the Director under this Act, determination shall be made on the record after giving the opportunity for a hearing to all persons and credit unions who may be directly affected by any order that may be issued as a result of such adjudication. The words 'adjudication' and 'order' as used herein shall have the meanings specified in the Administrative Procedure Act.*"

Statement of purpose.—To place the Bureau of Federal Credit Unions under all provisions of the Administrative Procedure Act. At present it is subject only to the rulemaking provisions of the act.

“ALLOTMENT OF SPACE IN FEDERAL BUILDINGS

(12 U.S.C., sec. 1771; F.C.U. Act, sec. 21)

Sec. 12.

“Upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this chapter, [the membership of which is composed exclusively of Federal employees and members of their families] *at least 95 per centum of the membership of which is composed of persons who either are presently Federal employees or are retired Federal employees and members of their families*, which application shall be addressed to the officer or agency of the United States charged with the allotment of space in the Federal buildings in the community or district in which said credit union or Federal credit union does business, such officer or agency may in his or its discretion allot space to such credit union if space is available without charge for rent or services.”

Statement of purpose.—To permit allocation of space in Federal buildings to credit unions having a membership composed at least 95 percent of persons who are either presently Federal employees or are retired employees and members of their families.

["EXTENSION OF CHAPTER TO PANAMA CANAL ZONE AND VIRGIN ISLANDS"]

“TERRITORIAL APPLICABILITY OF ACT

(12 U.S.C., sec. 1772; F.C.U. Act, sec. 22)

Sec. 13.

["The provisions of this chapter shall be extended to and include the Panama Canal Zone, and the Virgin Islands."] *The provisions of this Act shall apply to the several States, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico.*

Statement of purpose.—To expand the act to apply to the several States, the District of Columbia, the several Territories and the several possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico.

“CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND FROM STATE TO FEDERAL CREDIT UNION

(New section)

Sec. 14.

“SEC. 23. (a) *CONVERSION FROM FEDERAL TO STATE CREDIT UNION.*—A Federal credit union may be converted into a ‘State credit union’ under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, by complying with the following requirements:

“(1) The proposition for such conversion shall first be approved by a majority of the directors of the Federal credit union. The proposition then shall be submitted to a meeting of its members, the notice of which shall be in writing and shall be delivered in person to each member, or shall be mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to the time of the meeting. Approval of the proposition for conversion shall be by the affirmative vote of not less than two-thirds of the members present and voting at the meeting.

“(2) A copy of the minutes of such meeting, verified by the affidavits of the president or vice president and the secretary of the meeting, shall be filed with the Bureau within ten days after the meeting.

"(3) Promptly after the adjournment of such meeting of the members, and in no event later than ninety days after such meeting, the credit union shall take such action as may be necessary under the applicable State law to make it a State credit union, and within ten days after receipt of the State credit union charter there shall be filed with the Bureau a copy of the charter thus issued. Upon such filing the credit union shall cease to be a Federal credit union.

"(4) Upon ceasing to be a Federal credit union, such credit union shall no longer be subject to any of the provisions of this Act. The successor State credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the Federal credit union to the same extent as though the conversion had not taken place.

"(b) **CONVERSION FROM STATE TO FEDERAL CREDIT UNION.**—A 'State credit union', organized under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, may be converted into a Federal credit union by: (1) Complying with all State requirements requisite to enabling it to convert to a Federal credit union or to cease being a State credit union; (2) filing with the Bureau proof of such compliance, satisfactory to the Director; and (3) filing with the Bureau an organization certificate as required by this Act.

"When the Director has been satisfied that all of such requirements have been complied with, the Director shall approve the organization certificate. Upon such approval, the State credit union shall become a Federal credit union as of the date it ceases to be a State credit union. The Federal credit union shall be vested with all of the assets and shall continue responsible for all the obligations of the State credit union to the same extent as though the conversion had not taken place."

Statement of purpose.—To include provision for conversion from Federal to State charter, and vice versa.

(18 U.S.C., sec. 2113(g))

Sec. 15.

"(g) As used in this section the term 'savings and loan association' means any Federal savings and loans association and any 'insured institution' as defined in section 401 of the National Housing Act, as amended [], and any 'Federal credit union' as defined in section 2 of the Federal Credit Union Act."

Statement of purpose.—Section 2113 of the United States Code is concerned with bank robbery and incidental crimes. The added language would include Federal credit unions within the scope of this provision of the Federal Criminal Code.

Mr. MILLER. Mr. Chairman, may I commend the association for the excellence of its presentation and its well-rounded nature?

Mr. PATMAN. Certainly, sir.

I think it is well deserved, and I am sure that Congressman Johnson feels the same way, and I know that I do.

We appreciate very much the fine cooperation that you gentlemen have given us. I am very much impressed with the dedicated service that so many people in the United States are performing today in this movement, without any compensation, and even to the point of giving up their vacation time and spending their own money. It is a service that in my estimation is next to the church, and that is pretty high service, in my book. I want to do everything I can to encourage this high service that you render.

I assume that there are credit unions not only in commercial banks but even in mutual banks. Here in Washington, D.C., we have credit

unions in the Federal Reserve System, we have credit unions in the U.S. Treasury, we have credit unions in the Bureau of Engraving and Printing. We have credit unions in all the different Government agencies, and even in the House and Senate. We have about 175 credit unions, I believe, here in this small area of the District of Columbia. I feel that they are in the public interest and that they should be encouraged in every way possible. Excessive rates of interest are burdensome to the economy, and I have never known a time we people were burdened with more extortionate interest charges than they are today.

We have some outstanding examples: Last year, the attorney general of a Western State brought an injunction suit against a nationally known organization, to enjoin them from charging 72 percent interest to people who were purchasing automobiles and appliances. That is a rate of interest that is absolutely unconscionable, and that is going on all over the country. I do not know of any organization that is doing more to save the people from such unconscionable charges than the credit unions. I think it is in the public interest to encourage these credit unions.

I am glad to see the type of people in the credit union movement such as those who are here today. The very nature of its work is such that it will only attract people of the highest type.

Mr. JOHNSON. I think it might be worth including in the record a statement as to what the loss ratio experienced actually is.

Mr. PATMAN. I think it is in already. It is less than one-fourth of 1 percent. I had used the ratio of one-half of 1 percent. So I am 100 percent off. I am very glad to make the correction.

Mr. STONE. Mr. Chairman, may I say that the words of approval of the members of this committee will give us encouragement and inspiration to continue our efforts.

Mr. PATMAN. Thank you, sir.

You certainly have our congratulations on your election. Best wishes for continued success in the movement.

Mr. STONE. Thank you, sir.

Mr. PATMAN. Tomorrow morning we will have Members of Congress who will appear.

We will also have Mr. George Riley, legislative representative of the AFL-CIO.

Wednesday, we will have Mr. Gannon, Director of the Bureau of Federal Credit Unions, Department of Health, Education, and Welfare. It is my understanding that the American Bankers Association will not seek an appearance but will ask to file a statement.

Without objection, the committee will stand in recess, to reconvene at 10 o'clock tomorrow morning.

(Whereupon, at 12:20 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Tuesday, May 12, 1959.)

FEDERAL CREDIT UNION ACT

TUESDAY, MAY 12, 1959

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE No. 3,
Washington, D.C.

The subcommittee met, pursuant to adjournment, at 10 a. m. in room 1301, New House Office Building, Hon. Wright Patman (chairman of the subcommittee), presiding.

Present: Mr. Patman, Messrs. Burke, Miller, Johnson, and Milliken.

Mr. PATMAN. The committee will come to order.

Before we proceed, I have had some materials prepared by the Legislative Reference Service which provide an outline of the legislative history of the Federal Credit Union Act, and I would like to have these inserted in the record. Without objection, the clerk will insert it in the record at this point.

(The material referred to follows:)

FEDERAL CREDIT UNION SYSTEM

73d Congress, 1st session

May 11, 1933: Senator Morris Sheppard (Democrat, Texas) introduced S. 1639, S. 1640, and S. 1641, which were referred to the Committee on Banking and Currency of the Senate (p. 3205, Congressional Record).

Senator Sheppard's statements on these 3 bills followed (pp. 3206-3207, Congressional Record, May 11, 1933).

June 1, 1933: Hearing before a subcommittee of the Committee on Banking and Currency of the U.S. Senate on three bills held.

(Copies of three bills included in hearing.)

S. 1639: A bill to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States. (See pp. 1-9 of hearing.)

S. 1640: A bill to amend section 13 of the Federal Reserve Act by authorizing Federal Reserve banks to receive deposits from credit unions (p. 9, hearing).

S. 1641: A bill to amend section 4 of the act approved June 25, 1910, authorizing the Postal Savings System, and for other purposes (p. 10, hearing).
Hearing dated June 1, 1933, 32 pages, before Senate Committee on Banking and Currency.

(Statement by Mr. Roy F. Bergengren, of Boston, Mass., representing the Credit Union National Extension Bureau, included in hearing.)

73d Congress, 2d session

March 27, 1934: S. 1639 was reported by Senator Bankhead (Alabama) from Committee on Banking and Currency of the Senate (p. 5471, Congressional Record).

(S. Rept. No. 555, 73d Cong., from Committee on Banking and Currency.)

April 25, 1934: S. 1639 was debated in Senate (pp. 7259-7261).

May 10, 1934: S. 1639 passed Senate (p. 8459, Congressional Record).

May 11, 1934: S. 1639 was referred to the Committee on Banking and Currency of the House of Representatives (p. 8659, Congressional Record).

June 14, 1934: Hearings before House Banking and Currency Committee.

June 15, 1934: S. 1639 was reported by Representative Steagall (Alabama) from Committee on Banking and Currency of the House (p. 11937, Congressional Record).

(H. Rept. No. 2021.)

June 16, 1934: S. 1639 was amended and passed House (pp. 12218-12226, Congressional Record).

(Question on bill was taken; and on a division (demanded by Mr. Patman (Texas), there were—Ayes 180, noes 2.))

June 16, 1934: Senate concurs in amendment of the House on S. 1639 (p. 12079, Congressional Record).

June 16, 1934: S. 1639 enrolled and signed by Speaker of House (p. 12256, Congressional Record).

June 18, 1934: Message from House to Senate that the Speaker of House had signed S. 1639—S. 1639 was signed by the Vice President (p. 12338, Congressional Record).

June 18, 1934: Page 12449, Congressional Record:

"The following enrolled bills and joint resolutions, heretofore duly signed by the Presiding Officers of the two Houses, were presented to the President of the United States by the Committee on Enrolled Bills."

(S. 1639 was one of the bills.)

June 26, 1934: S. 1639 was signed by the President of the United States (President Franklin D. Roosevelt) (p. 12454, Congressional Record).

(Public Law No. 467, 73d Cong., 2d sess.)

(This act was known as Federal Credit Union Act.)

AMENDMENTS TO FEDERAL CREDIT UNION ACT WHICH BECAME LAW AND
AMENDMENTS PROPOSED BY REPRESENTATIVE PATMAN UP TO END OF 84TH
CONGRESS THAT DID NOT BECOME LAW IN HIS NAME

75th Congress, 1st session

Public Law No. 197—July 9, 1937 (50 Stat. 487):

H.R. 6287, introduced by Representative Cochran (Missouri), April 9, 1937.

Purpose of bill: To allot space in Federal buildings for Federal credit unions.

Passed House, June 6, 1937.

Passed Senate, July 2, 1937.

Approved July 9, 1937—Public Law No. 197.

75th Congress, 2d session

Public Law No. 416—December 6, 1937 (51 Stat. 4):

S. 2675, introduced by Senator Sheppard (Texas), June 17, 1937.

Purpose of bill: Makes every Federal credit union, regardless of assets, subject to governmental examination of its books, and to fees therefor.

Permits credit unions, within limits, to make loans to other credit unions, and to invest in shares or accounts of Federal savings and loan associations. Original act permitted only loans to members and investment in U.S. obligations and fully guaranteed securities.

Authorizes Governor to make studies of credit problems.

Exempts Federal credit unions from taxation, except on real property, and prohibits use of unions' facilities to collect or enforce taxes on members for assets they hold in the credit union.

Passed Senate August 6, 1937.

Passed House, amended, November 24, 1937.

Senate agreed to House amendments, November 29, 1937.

Approved December 6, 1937—Public Law No. 416.

76th Congress, 3d session

Public Law No. 630—June 15, 1940 (54 Stat. 398):

S. 2568, introduced by Senator Sheppard (Texas), June 7, 1939.

H.R. 9886, introduced by Representative Patman (Texas), May 24, 1940.

Purpose of bills: Permitted loans up to \$100 without adequate security (formerly \$50); sets maximum loan to members at \$200 or 10 percent of paid in and unimpaired capital and surplus, whichever is greater.

S. 2568 passed Senate, May 29, 1940.

S. 2568 passed House, June 5, 1940.

(H.R. 9886 by Representative Patman was tabled June 5, 1940, and S. 2568 passed in lieu.)

Approved June 15, 1940—Public Law No. 630.

H.R. 4691 (H.R. 1849), 77th Congress:

(a) Legislative history: Introduced by Representative Patman on May 8, 1941. Passed House May 15, 1941.

(b) Purpose: Authorizes Federal credit unions to invest in shares of insured building and loan associations.

H.R. 4976, 77th Congress:

(a) Legislative history: Introduced by Representative Patman on June 5, 1941. Died in committee.

(b) Purpose: Requires a fee of \$25 upon issuance of a charter to a Federal credit union.

Permits shares to be held jointly.

Requires bond of employees handling funds.

Requires monthly meetings.

Defines "passbook."

Provides that no interest shall be paid on shares received after the 5th day of the month.

Provides that patronage dividends of not less than 3 percent may be paid to member-borrowers on record as of December 31.

Authorizes Governor of Farm Credit Administration to publicize the Federal credit union.

H.R. 4978, 77th Congress:

(a) Legislative history: Introduced by Representative Patman on June 5, 1941. Died in committee.

(b) Purpose: Extends act to Panama Canal Zone.

Permits any Federal credit union to waive payment of interest by a member during military service.

H.R. 1695, 78th Congress:

(a) Legislative history: Introduced by Representative Patman on February 4, 1943. Died in committee.

(b) Purpose: Permits Federal credit unions to invest in local building and loan, savings and homestead associations, and cooperative banks.

79th Congress, 2d session

Public Law No. 574—July 31, 1946 (60 Stat. 744):

H.R. 6372, introduced by Representative Spence (Kentucky), May 8, 1946.

Purpose of bill: Provides penalties for charging more than the allowable rate of interest.

Permits issuance of shares in joint tenancy.

Prescribes changes in surety bond requirements for officials handling credit union funds.

Increases maximum amount of loans without adequate security from \$100 to \$300.

Extends provisions of the act to the Panama Canal Zone.

Authorizes Governor to place insolvent credit unions into involuntary liquidation, in certain instances, and sets out liquidation regulations.

Passed House, May 20, 1946.

Passed Senate, amended, July 17, 1946.

House agreed to Senate amendments, July 19, 1946.

Approved July 31, 1946—Public Law No. 574.

80th Congress, 2d session

Public Law No. 813—June 29, 1948 (62 Stat. 1091):

S. 2225, introduced by Senator Baldwin, February 25, 1948.

Purpose of bill: Transfers functions of Federal credit unions to the Federal Security Agency (from the Federal Deposit Insurance Corporation, where it had been by virtue of Reorganization Plan No. 1 of 1947, pt. IV, sec. 401) and established in that agency a Bureau of Federal Credit Unions under the supervision of a Director appointed by the Federal Security Administrator.

Passed Senate, April 12, 1948.

Passed House, amended, June 15, 1948.

Senate agreed to House amendments, June 16, 1948.

Approved June 29, 1948—Public Law No. 813.

H.R. 3201, 81st Congress:

(a) Legislative history: Introduced by Representative Patman on March 3, 1949. Died in committee. H.R. 6185 passed in lieu. See below.

(b) Purpose: Deletes provision restricting loans to 2 years.

Authorizes investment of funds in shares of central credit unions.

Raises maximum loan without adequate security to \$500.

Provides that, when the reserve fund equals 10 percent of total amount of members' shares on deposit, no further transfers to the fund from net earnings shall be required except as are necessary to maintain the 10 percent ratio.

81st Congress, 1st session

Public Law No. 378—October 25, 1949 (63 Stat. 890):

H.R. 6185, introduced by Representative Patman (Texas), September 21, 1949.

Purpose of bill: Authorizes loans with maturities of not to exceed 3 years (formerly 2 years).

Permits loans up to \$400 without adequate security (formerly \$300).

Provides that, where the reserve fund shall equal 10 percent of the total amount of the members' shares on deposits, no further transfers to the fund from net earnings shall be required except as needed to maintain this 10 percent ratio.

Provides for special reserves, where necessary.

Passed House, October 13, 1949.

Passed Senate, October 17, 1949.

Approved October 25, 1949—Public Law No. 376.

H.R. 3459, 82d Congress:

(a) Legislative history: Introduced by Representative Patman on April 2, 1951. Not reported out of committee.

(b) Purpose: Provides that directors, officers, or committee members of a Federal credit union can borrow an amount in excess of his holdings in the Federal credit union providing certain approval is given.

Provides the Federal credit union can make investments in shares of central credit unions, in addition to investments prescribed.

Provides that patronage dividends may be declared in favor of member-borrowers whenever an excess exists after declaration of the annual dividend

82d Congress, 2d session

H.R. 6702, 82d Congress:

(a) Legislative history: Introduced by Representative Patman on February 19, 1952. Not reported out of committee.

(b) Purpose: Sets the maximum examination-day rate fee assessable against a Federal credit union, for an examination of its books and records, at \$56.

Public Law No. 322—April 17, 1952 (66 Stat. 63):

S. 2447, introduced by Senator Maybank, January 17, 1952.

Purpose of bill: Increases maximum supervisory fees payable by member unions.

Passed Senate, February 25, 1952.

Passed House, amended, March 31, 1952.

Senate agreed to House amendments, April 9, 1952.

Approved April 17, 1952—Public Law No. 322.

Public Law No. 329—May 8, 1952 (66 Stat. 66):

H.R. 6101, introduced by Representative Spence, January 17, 1952.

Purpose of bill: Extends provisions to the Virgin Islands.

Passed House, March 31, 1952.

Passed Senate, May 1, 1952.

Approved May 8, 1952—Public Law No. 329.

Public Law No. 337—May 13, 1952:

H.R. 2608, introduced by Representative Boggs, February 13, 1952.

Purpose of bill: Permits credit unions to invest in shares or accounts of any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation.

Passed House, March 31, 1952.

Passed Senate, May 1, 1952.

Approved, May 13, 1952.—Public Law No. 337.

83d Congress, 2d session

Public Law No. 454—June 30, 1954 (68 Stat. 335):

S. 1665, introduced by Senator Beall (by request), April 17, 1954.

Purpose of bill: Permits Board of Directors to authorize interest refunds to members in proportion to interest paid by them in the prior year.

Authorizes employees and officers of the Bureau of Federal Credit Unions to administer oaths, if so designated.

Passed Senate, June 18, 1954.

Passed House, June 22, 1954.

Approved, June 30, 1954—Public Law No. 454.

Public Law No. 656—August 24, 1954 (68 Stat. 792):

H.R. 9236, introduced by Representative Talle, May 20, 1954.

Purpose of bill: Provides that the Director of the Bureau of Federal Credit Unions is to determine the kind of bond to be posted by treasurers (formerly this was done by the Board of Directors).

Provides that bond is to be required from every official handling credit union funds.

Passed House, June 22, 1954.

Passed Senate, August 11, 1954.

Approved, August 24, 1954—Public Law No. 656.

H.R. 5258, 84th Congress:

(a) Legislative history: Introduced by Representative Patman on March 28, 1955. Died in committee.

(b) Purpose: Empowers Federal Credit Union to invest its funds in shares of other credit unions, in a total amount not to exceed 10 percent of its paid in and unimpaired capital and surplus.

H.R. 8273, 84th Congress:

(a) Legislative history: Introduced by Representative Patman on January 9, 1956. Died in committee.

(b) Purpose: Permits investment in shares of Federal central credit unions and central credit unions.

Share payments to and withdrawals from a central credit union must be specifically authorized by the Board of Directors.

Authorizes organization of Federal central credit unions, and defines the term.

Authorizes Federal credit unions to subscribe to, organize, or be a member of a Federal central credit union or a central credit union, providing certain requirements are met.

Makes other technical amendments to the Federal Credit Union Act.

H.R. 9983, 84th Congress:

(a) Legislative history: Introduced by Representative Patman on March 15, 1956. Died in committee.

(b) Purpose: Permits credit committee of a Federal credit union to delegate to specified other officials the power to approve or disapprove loans in specified situations. Requires such loans to be reviewed by the credit committee at its next meeting.

S. 1639—FEDERAL CREDIT UNION SYSTEM

June 8, 1934: Mr. Patman addressed letter to the chairman of the Committee on Banking and Currency of the House of Representatives thanking him for his promise of a hearing on the credit union bill, S. 1639, when the housing bill then

before the committee was disposed of. Told the chairman he was looking forward to an opportunity of appearing before the committee in behalf of the bill.

Same date, Mr. Patman wrote each Democratic member of the House Banking and Currency Committee.

Members of the Committee on Banking and Currency at that time were:

Democrats: Henry B. Steagall, Alabama; T. Alan Goldsborough, Maryland; Anning S. Prall, New York; Jeff Busby, Mississippi; Michael K. Riley, Wisconsin; Frank Hancock, North Carolina; Clyde Williams, Missouri; Wesley E. Disney, Oklahoma; O. H. Cross, Texas; Brent Spence, Kentucky; Denver S. Church, California; Prentiss M. Brown, Michigan; Fred J. Sisson, New York; James I. Farley, Indiana; James A. Meeks, Illinois; Herman P. Kopplemann, Connecticut; James G. Scrugham, Nevada.

Republicans: Robert Luce, Massachusetts; Carroll L. Beedy, Maine; Edward L. Stokes, Pennsylvania; John B. Hollister, Ohio; Jesse P. Wolcott, Michigan; Peter A. Cavicchia, New Jersey; James A. Wadsworth, New York; James Simpson, Jr., Illinois.

Mr. Patman also wrote Senator Sheppard same date telling him of the letters he had written and furnished him copies.

June 11, 1934: Senator Sheppard wrote Mr. Patman expressing appreciation for his splendid cooperation in behalf of the credit union bill.

June 16, 1934: Mr. Patman replied to Senator Sheppard's letter of June 11, 1934, giving further assurance of full cooperation:

JUNE 8, 1934.

HON. HENRY B. STEAGALL,
Chairman, Banking and Currency Committee,
House of Representatives, Washington, D.C.

DEAR MR. STEAGALL: I want to thank you for your promise to give the sponsors of the credit union bill a hearing when the housing bill has been disposed of. I am very much interested in this legislation and will look forward to an opportunity of appearing before your committee in behalf of it.

It is very much needed and I hope you will assist in getting a favorable report and its final passage.

Yours sincerely,

WRIGHT PATMAN.

JUNE 8, 1934.

HON. JEFF BUSBY,
House of Representatives,
Washington, D.C.

DEAR JEFF: I am impressed that the credit union bill, S. 1639, should be enacted without delay. It will serve a useful purpose all over the Nation and especially in communities not served by small banks.

I am sold on this legislation 100 percent. Chairman Steagall has promised a hearing when the housing bill is out of the way. This letter is to solicit your support in the passage of the bill.

This bill has the unqualified endorsement of the President of the United States.

Yours sincerely,

WRIGHT PATMAN.

This same letter sent to all Democratic members of the House Banking and Currency Committee.

JUNE 8, 1934.

HON. ANNING S. PRALL,
House of Representatives,
Washington, D.C.

DEAR MR. PRALL: I am impressed that the credit union bill, S. 1639, should be enacted without delay. It will serve a useful purpose all over the Nation and especially in communities not served by small banks.

I am sold on this legislation 100 percent. Chairman Steagall has promised a hearing when the housing bill is out of the way. This letter is to solicit your support in the passage of the bill.

This bill has the unqualified endorsement of the President of the United States.

Yours sincerely,

WRIGHT PATMAN.

JUNE 8, 1934.

HON. MORRIS SHEPPARD,
U.S. Senator,
Washington, D.C.

DEAR SENATOR SHEPPARD: I have today written to each Member of the House Banking and Currency Committee in regard to the credit union bill, and am enclosing herewith copies of the letters.

Yours sincerely,

WRIGHT PATMAN.

U.S. SENATE,
COMMITTEE ON MILITARY AFFAIRS,
June 11, 1934.

HON. WRIGHT PATMAN,
Member of Congress,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN: I am pleased to have your letter of June 8 and enclosures. I appreciate more deeply than I can express your splendid cooperation in behalf of the credit union bill.

Yours very sincerely,

MORRIS SHEPPARD.

JUNE 16, 1934.

HON. MORRIS SHEPPARD,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SHEPPARD: I have your letter of June 11, and assure you that I will be very glad to cooperate with you in an effort to pass the credit union bill.

With kindest regards and best wishes, I am

Yours sincerely,

WRIGHT PATMAN.

May 2, 1949: See Mr. Patman's remarks in daily Congressional Record (pp. A2713-A2716) (attached).

This speech contains some history of S. 1639.

FEDERAL CREDIT UNIONS—FEDERAL CREDIT UNION ACT SPONSORED BY LATE UNITED STATES SENATOR MORRIS SHEPPARD, OF TEXAS—PROGRESS OF CREDIT UNIONS

Extension of remarks of Hon. Wright Patman of Texas, in the House of Representatives, Monday, May 2, 1949

Mr. PATMAN. Mr. Speaker, the Two-States Press, of Texarkana, United States of America, for April 28, 1949, carried the following article concerning the local credit union. It is as follows:

"LOCAL CREDIT UNION TO BE HONORED

"The Morris Sheppard Texarkana Federal Credit Union will be honored for its distinction of holding Federal charter No. 1 during the May 13-15 meeting of Credit Union National Association and the Texas Credit Union League in Houston, it was made known here Monday.

"Miss Jean Coopwood, secretary-treasurer of the credit union, has received a letter from James M. Barry, managing director of the TCUL, of Dallas, requesting that the local union furnish a large picture of the late Senator Morris Sheppard for public and prominent display. Barry's letter also requested a history of the local union officers and a history of the organization.

"His letter said, in part:

"In connection with the forthcoming meeting of the Texas Credit Union in Houston next month and the once-in-a-lifetime meeting in Houston of the Credit Union National Association, we are desirous of honoring your credit union as Federal Credit Union No. 1. We are proud and always have been proud that the late Senator Sheppard sponsored the Federal Credit Union Act and that we in Texas have been honored by having charter No. 1 with his name in the title of your credit union.'

"Miss Coopwood said she was currently engaged in compiling a history of the union and would send the pictures as requested. Miss Coopwood said Mrs. Richard Arnold had made available to the union a large picture of her father, the late Senator Sheppard.

"It is not known at this time whether an official of the union will attend the Houston meetings to represent the local organization.

"Joc C. Dixon is president and H. J. Sehlunk vice president of the credit union."

In 1934 the Honorable Morris Sheppard, who, incidentally, was one of the greatest humanitarians I ever knew, was sponsoring the Federal Credit Union Act. I appreciate the efforts being made by my hometown credit union to honor the late Senator Morris Sheppard. Instead of introducing a bill myself, I joined in the effort to get his bill passed. It was S. 1639. The bill passed the Senate May 4, 1934, and it passed the House June 16, 1934, just 2 days before the end of that session of Congress. When the bill was before the House I made the following statement concerning it, which appears on page 12225 of the Congressional Record for June 16, 1934:

"Mr. Speaker, this bill comes before the House with the unanimous support of the Committee on Banking and Currency. I wish to commend the Committee on Banking and Currency for bringing this bill out. It is sponsored by Senator Sheppard, of Texas, in the Senate. This is his bill. I think it one of the most important and most meritorious bills we have had before us for consideration at this session of Congress. There are 2,200 credit unions in the Nation today. There are not so many credit unions in this country as there are in other countries. There are literally thousands of them in other countries. These are what are known as baby banks. They serve a great need. Between two and three billion dollars' purchasing power each year is destroyed by reason of excessive interest rates that are paid. This bill is sponsored by public-spirited citizens in the interest of the poorest people of our Nation, one of whom not so long ago borrowed \$30 from a loan office and actually paid back \$1,080, and was then sued for the original \$30.

"This bill is opposed by loan sharks and shotgun loan offices. It serves a great need, as I said. Although we have 2,200 of them in the United States, I think the greatest tribute I can pay to the services of those in charge of these baby banks is that during the depression not a one of them failed. I again want to commend the Committee on Banking and Currency for bringing this very meritorious measure before us for consideration and passage."

The bill was lost in the confusion at the end of the session the night of the 18th of June, and it was only after much trouble and investigation that the bill was finally located and signed by both the Speaker of the House and the Vice President of the United States. It was my pleasure to do the footwork which led to the location of the bill. It was later approved by President Franklin D. Roosevelt, June 26, 1934.

I have always been a strong advocate of Federal credit unions, and I have been the author of several bills to strengthen the act. The following statement discloses the status of the Federal credit unions in Texas, and also compares their growth with the State-chartered credit unions. It is as follows:

Development of Federal credit unions in the State of Texas, 1940 to 1948, inclusive

Year ending Dec. 31—	Number operating	Members	Assets	Loans outstanding
1940.....	267	63,568	\$5,120,200	\$4,200,571
1941.....	298	74,409	6,646,239	5,071,474
1942.....	289	65,263	6,262,855	2,641,010
1943.....	264	60,914	6,557,266	2,018,192
1944.....	244	56,937	7,030,295	1,901,739
1945.....	235	55,065	7,793,201	2,023,970
1946.....	237	60,671	9,587,329	3,636,512
1947.....	245	73,200	12,419,841	6,401,042
1948.....	268	90,460	16,665,069	11,246,325

Development of State chartered credit unions in the State of Texas, 1940 to 1948, inclusive

Year ending Dec. 31—	Number operating	Members	Assets	Loans outstanding
1940.....	89	32,910	\$3,176,277	\$2,724,237
1941.....	90	23,985	3,500,000	3,100,000
1942.....	102	24,233	3,478,502	1,666,151
1943.....	88	19,859	3,617,758	1,296,617
1944.....	84	21,015	3,603,765	1,161,873
1945.....	84	21,152	4,001,991	1,205,926
1946.....	83	21,407	4,592,643	1,801,190
1947.....	84	26,204	5,612,468	2,981,042
1948.....	85	31,204	7,346,460	4,963,053

WHAT IS A CREDIT UNION?

The American Federation of Labor, 901 Massachusetts Avenue, NW., Washington, D.C., has prepared an interesting leaflet on credit unions. I have taken the liberty of making a few changes to bring the folder up to date, and I am inserting it herewith. It is as follows:

"CREDIT UNIONS

"1. What is a credit union? A credit union is an association of persons, united by some common bond or community of interest, joined together in a cooperative endeavor for the following purposes:

"(a) To encourage thrift by providing a safe, convenient, and attractive medium for the investment of the savings of its members.

"(b) To eliminate usury and increase the purchasing power of its members by enabling them to borrow for productive and other beneficial purposes at a reasonable cost.

"(c) To train its members in business methods and self-government and bring them to a full realization of the value of cooperation.

"(d) The credit union operates through a board of directors, a credit committee and a supervisory committee elected by and from the members.

"2. When was the first credit union organized? Frederick William Raiffeisen organized the first credit union in Germany in 1848. Today, they are operating in almost every country of the world. The first credit union charter in the United States of America was granted in Massachusetts in 1909. There are 12,000 credit unions operating throughout the United States, Canada, Hawaii, Jamaica, and Panama Canal Zone.

"3. How does a credit union differ from an ordinary bank?

"(a) It promotes systematic thrift by encouraging its members to save small sums at regular intervals.

"(b) A credit union can be of service to all—such as a community organization, church parish, school officers' organization, labor unions, factory workers, lodge members, etc.

"(c) No elaborate, offices furniture or, in most cases at least, no salaried officials except a treasurer.

"(d) Loans are made only to members and for provident and productive purposes.

"(e) Character, honesty, and industry are required for membership and on this basis loans are made.

"(f) Control is vested in the members on the cooperative principle of one member, one vote.

"(g) All profits revert to the members after expenses of operation are deducted.

"4. What classes of people do credit unions serve? Groups bound together by a common bond of interest, e.g., the members of a parish, of a labor union, the workers in a factory, groups in which personal acquaintance will serve as an impetus to the work. The size does not really matter. Credit unions have been found to work well in groups of from 50 to 5,000, as long as some bond of interest exists.

"5. Why should I become a shareholder?

"(a) Every person should cultivate the habit of thrift.

"(b) An accident, illness, unusual family condition, or other provident reasons may at some future time, necessitate your needing more money than you have readily available.

"(c) Every person should grasp the opportunity to render an unselfish service to his or her fellow workers.

"6. How may I become a shareholder? By paying an entrance fee of 25 cents and subscribing and paying either 25 cents, 50 cents, \$1 or any possible amount on a \$5 share of stock. Only one entrance fee is required.

"7. What liability does the shareholder assume? There is no liability to the shareholder, other than obligations agreed upon when subscribing to shares, or when making a loan.

"8. What protection is offered shareholders?

"(a) The treasurer is bonded.

"(b) Payments and withdrawals are made by check and all checks must be signed by the treasurer and countersigned by the president of the board of directors.

"(c) All cash receipts must be deposited regularly in a bank the accounts of which are federally insured.

"(d) All record books are examined monthly or quarterly by the supervisory committee of the credit union as decided upon by them, as well as once a year by the Bureau of Federal Credit Unions or State government authorities.

"9. May a member withdraw at will? Yes, a member may withdraw his shares and deposits on any day the credit union is open for business. Should the withdrawal be of a large amount, a specified period of time may be required. All withdrawals must be made at the office. No member may withdraw shares or deposits who owes the credit union money or is the guarantor of any loan.

"10. What constitutes the capital of a credit union? The capital of a credit union consists of the pooled savings paid in on shares and deposits by members.

"11. How is the capital used?

"(a) Loans are made to members for productive and provident purposes, thereby helping the member to help himself. For instance: To pay dental bills, for auto financing, to buy clothing, to buy furniture, to buy other necessities, to pay bills, to pay taxes, to pay insurance, for medical purposes, for educational purposes, for vacation purposes, for business purposes, for building purposes, to cooperatives.

"(b) According to the Federal credit union report of 1947 outstanding loans amounted to \$91,372,197. During the entire period of Federal credit union operation over 8 million loans have been made to members. These loans total more than \$1 billion.

"12. Your credit union has loan protection insurance. Loan protection is a plan whereby your credit union is insured against loss due to the death or total and permanent disability of borrowers.

"In other words, if an insured borrower becomes totally and permanently disabled before attaining age 60, or becomes deceased before attaining age 70, the balance of the loan is paid in full and the security offered by the borrower is released from any liability.

"This service is helpful to the credit union members because the officers will not be obliged to collect further payments from the widow and cosigners, or take over chattels or shares that may have been given as security. It is helpful to the borrower, for he does not have to worry over who will pay the loan if he dies or becomes totally and permanently disabled.

"13. What interest rate is charged on loans? The interest rate on loans is never more than 1 percent per month on the unpaid balance or 1 percent per month on each dollar not repaid.

"14. How does a member apply for a loan? By filling out an application form, giving full information as to the amount required, purpose of the loan, duration of loan, security offered, and so forth.

"15. What constitutes the income of a credit union

"(a) The interest paid on loans by borrowing members.

"(b) Interest, if any, on bank balance, including in many credit unions deposits in savings banks.

"(c) Dividends on any investments which may have been made.

"16. What is done with the yearly earnings of a credit union? After operating costs are deducted and 20 percent set aside in the reserve account for bad loans,

the dividend to be paid to members on their shares is decided at an annual general membership meeting.

"17. How should a group proceed to organize a credit union?"

BILL TO STRENGTHEN CREDIT UNION ACT

At this session of Congress, March 3, 1949, I introduced a bill (H.R. 3201) concerning credit unions, which is as follows:

"A BILL to amend the Federal Credit Union Act

"*Be it enacted, etc.*, That paragraph (5) of section 7 of the Federal Credit Union Act (12 U.S.C., secs. 1751-1772) is hereby amended by striking out in the first sentence thereof the following: 'with maturities not exceeding 2 years.'

"SEC. 2. Paragraph (7) of section 7 of the Federal Credit Union Act is hereby amended by striking out 'and' after '(d)' and by inserting before the period at the end of such paragraph (7) a semicolon and the following: 'and (e) in shares of central credit unions.'

"SEC. 3. The second sentence of section 10 of the Federal Credit Union Act is hereby amended to read as follows: 'The annual meeting of each Federal credit union shall be held at such time during the following January, February, or March, and at such place as its bylaws shall prescribe.'

"SEC. 4. The fourth sentence of subsection (d) of section 11 of the Federal Credit Union Act is hereby amended to read as follows: 'No loan in excess of \$500 shall be made without adequate security, and no loan shall be made to any member which shall cause such member to become indebted to the Federal credit union in the aggregate, upon loans made to such member, in excess of \$200 or 10 percent of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater.'

"SEC. 5. Section 12 of the Federal Credit Union Act is hereby amended to read as follows:

"SEC. 12. All entrance fees and fines provided by the bylaws and 20 percent of the net earnings of each year, before the declaration of any dividend, shall be set aside, subject to terms and conditions specified in the bylaws, as a reserve fund: *Provided, however*, That when the reserve fund thus established shall equal 10 percent of the total amount of members' shares on deposit, no further transfer to the reserve fund from net earnings shall be required except as needed to maintain this 10 percent ratio: *And provided further*, That no transfer to the reserve fund in excess of fees and fines and 20 percent of net earnings shall be required in any one year.'"

OBJECTIVES OF BILL H.R. 3201

The object of this bill is to make certain amendments to the Federal Credit Union Act, as follows:

First. Section 7 of the Federal Credit Union Act reads, in part, as follows:

"Powers: A Federal credit union shall have succession in its corporate name during its existence and shall have power—

* * * * *

"(5) To make loans with maturities not exceeding 2 years to its members for provident or productive purposes upon such terms and conditions as this chapter and the bylaws provide and as the credit committee may approve, at rates of interest not exceeding 1 percent per month on unpaid balances (inclusive of all charges incident to making the loan): *Provided*, That no loans to a director, officer, or member of a committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof."

It is proposed to amend, paragraph (5) of section 7 by striking out the words: "with maturities not exceeding 2 years."

This would empower a Federal credit union to extend its loans over a period greater than 2 years. It would leave the terms of repayment of loans in the hands of the board of directors and credit committee. This is permissible now under practically all State credit-union laws.

Second. Section 7 of the Federal Credit Union Act reads, in part, as follows:

"Powers: A Federal credit union shall have succession in its corporate name during its existence and shall have power—

* * * * *

(7) To invest its funds (a) in loans exclusively to members; (b) in obligations of the United States of America, or securities fully guaranteed as to principal and

interest thereby; (c) in accordance with rules and regulations prescribed by the Governor, in loans to other credit unions in the total amount no exceeding 25 percent of its paid-in and unimpaired capital and surplus; (d) and in shares or accounts of Federal savings and loan associations."

It is proposed to amend paragraph (7) of section 7 by striking out the word "and" appearing as the first word in subsection (d) thereof and by striking out the period at the end of subsection (d) thereof and by substituting for such period a semicolon and by adding after such semicolon "and (e) in shares of central credit unions."

Federal credit unions now have the power to invest their savings in Federal savings and loan associations. This change would make it possible for them to deposit their funds in their own central organizations. Many states do now have central credit unions in which other credit unions may deposit funds and from which other credit unions may borrow. For example, there is an excellent central credit union of this type in North Dakota, one in Minnesota, one in Rhode Island, and several other States. It seems just as reasonable for Federal credit unions to be able to invest their funds in central credit unions as it is for them to invest funds in Federal savings and loan associations.

Third, Section 10 of the Federal Credit Union Act reads, in part, as follows:

"Members' meetings: The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe."

It is proposed to change the second sentence of section 10 to read as follows:

"The annual meeting of each Federal credit union shall be held at such time during the following January, February, or March, and at such place as its bylaws shall prescribe."

This would permit Federal credit unions to hold their annual meetings at any time during January, February, or March, which in many cases would be a great convenience. The members of Federal credit unions are in most cases employees of large corporations and are oftentimes unusually busy during the month of January, which is frequently the close of the corporation's year. It is believed that larger attendance could be obtained at the annual meeting in many cases if the meeting could be held in some month other than January.

Fourth, Section 11, subsection (d), of the Federal Credit Union Act reads in part as follows:

"No loan shall be made to any member which shall cause such member to become indebted to the Federal credit union in the aggregate, upon loans made to such member, in excess of \$200 or 10 percent of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater, or in excess of \$300 unless such excess over \$300 is adequately secured."

It is proposed to amend the fourth sentence of subsection (d) of section 11 to read as follows:

"No loan in excess of \$500 shall be made without adequate security and no loan shall be made to any member which shall cause such member to become indebted to the Federal credit union in the aggregate, upon loans made to such member, in excess of \$200 or 10 percent of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater."

This change increases the amount which may be loaned without security. Several years ago the Federal Credit Union Act was amended to increase the amount which may be loaned without security to \$300. It is felt that in view of present monetary conditions \$500 is a reasonable limit. The management of any one Federal credit union of course has the right to set a smaller limit based on conditions within the particular group.

Fifth, Section 12 of the Federal Credit Union Act now reads as follows:

"Reserves: All entrance fees and fines provided by the bylaws and 20 percent of the net earnings of each year, before the declaration of any dividends, shall be set aside, subject to terms and conditions specified in the bylaws, as a reserve fund against possible bad loans."

It is proposed to amend section 12 so it will read as follows:

"SEC. 12. All entrance fees and fines provided by the bylaws and 20 percent of the net earnings of each year, before the declaration of any dividend, shall be set aside, subject to terms and conditions specified in the bylaws, as a reserve fund: *Provided, however,* That when the reserve fund thus established shall equal 10 percent of the total amount of members' shares on deposit, no further transfer to the reserve fund from net earnings shall be required except as needed to maintain this 10 percent ratio: *And provided further,* That no transfer to the reserve

fund in excess of fees and fines and 20 percent of net earnings shall be required in any one year."

At present the Federal credit unions must set aside fees and fines and 20 percent of net earnings each year in a reserve fund. This change would make it unnecessary for the Federal credit union to set aside anything in the reserve fund after the reserve fund is equal to 10 percent of the total amount of the members' shares on deposit. It would protect the credit union against the possibility of being compelled to transfer more than fees and fines and 20 percent of its net earnings to the reserve fund during any one year. This is a standard provision contained in many State laws. A reserve fund equal to 10 percent of the shares on deposit in the credit union has been found to be ample. At present the reserve fund may be used only to offset those losses which are brought about through bad loans. This amendment provides that the reserve fund may be used to cover any type of loss sustained by the Federal credit union, such as depreciation of securities, and so forth.

THE FOLLOWING SHORT STORIES ABOUT CREDIT UNIONS ARE SELF-EXPLANATORY

This story is from the mountain country of Tennessee:

Three years ago a wage employee at Alcoa with a good name, great determination, a family of 10, no funds but with a definite need—shelter for his family—applied for a credit union loan to "buy 13 acres of good mountain land at a bargain."

The loan was made. A year later an abandoned church was to be sold and removed. In it, enough good lumber and metal roofing to build a home could be found. Another loan was applied for, and granted.

At the end of another year filled with hard work and great determination, the house was almost completed and the loan almost paid up. But what is a home without water, a gravel road, and a few modern conveniences? So another loan from the credit union was granted and within 36 months all loans were paid in full.

So grateful was the family to have their own land and home that a fish fry party was arranged in the Great Smokies for the credit union officers.

All the guests could take pride in a job well done.

"Take \$1 a week off my pay and put it into the credit union," said one working girl to her employer when the credit union was formed.

She didn't give any more thought to the matter, and never missed the weekly \$1 deduction from her paycheck.

At the annual meeting 2 years later she looked at her passbook. "Goodness," she commented, "did I save all that in 2 years? I didn't even try to save."

Encouraged by the way her credit union savings had mounted up without any effort on her part, she quickly put her mind to it and began to save in earnest. Now she has more than \$2,000 saved—covered by an equal amount of life insurance as well, at no charge to her.

A newspaperman working for a large metropolitan daily had one weakness; he was addicted to betting on the horses. One loss led to another, until he was getting deeper and deeper in debt.

He borrowed money, first from reputable lenders, then finance companies, finally from the most disreputable of loan sharks. His life had actually been threatened by the loan sharks and he was on the point of losing both his home and his job when his credit union moved into the picture.

It took \$4,600 to pay off the garnishees, finance companies, and loan sharks, but the credit union made the loan. With the help of his credit union this member's life took a turn for the better; he worked harder on his job, earned several promotions. He got a second job working nights.

This was several years ago, but recently, when he and his wife came in to borrow again for some furniture for their home, his wife confided to the credit committee that their homelife had undergone a miraculous change. "The money is only a small part of what we owe our credit union," she said.

From the treasurer of an industrial credit union in Rockford, Illinois:

"About 5 years ago this city had a terrific housing shortage. It was impossible to find an apartment or house to rent; you had to buy.

"A machinist, with his wife and their three small children, had to find a new home within 60 days.

"He had no savings; his only financial reserves were in the company's retirement savings plan. He was on the point of quitting his job, just so he could get this money for the downpayment.

"We explained that the credit union was meant for helping people like him. He said he had no security to offer. We told him his reputation and character were well known to his fellow workers at the plant, who after all were the owners of the credit union, and that no security would be required.

"We lent him \$1,500.

"Today, that loan has been paid off, and he has a nice nest egg of savings accumulated at the same time. His family has a comfortable home, and he still has his job, his seniority at the plant, and a comfortable pension waiting for him when he's ready to retire."

From a credit union serving an electrical manufacturing company in Arkansas:

"Used to be every Friday the sheriff was waiting at the door to attach the wages of a lot of our men. Arkansas law allows a wage attachment to 85 percent of the man's wages, and we had some men who were attached to the limit. How they managed to keep going I don't know.

"The sheriff used to serve between 2 and 20 garnishment papers on employees every Friday. Unskilled workers had fallen into the wage assignment vise. Right inside the plant there were a few workers with spare cash who made small killings by loaning to fellow workers at usurious rates.

"The credit union blocked this lucrative traffic. By actual count, we figure the credit union has cut garnishments down to 10 percent of the former number."

From a credit union officer in Port Allegany, Pa.:

"Last December 13, our entire production plant closed. It took 6 full weeks before our members were at work again. During this time only the salaried workers had their regular income. The hourly employees lost all of their wages and had to depend on State unemployment compensation.

"The compensation checks should have arrived weekly but in many instances they arrived 2 to 3 weeks late.

"Fortunately, our credit union was able to make many loans during this 6-week period for food, utility bills, medical expenses and other emergencies."

From the wife of a disabled credit union member:

"My husband was stricken with a severe heart attack and the medical reports do not give us any hope for his recovery. He has been in a veterans' hospital for some time. Maybe you can imagine how I felt when you not only paid the balance of our loan with the credit union, but also refunded to us the payments made on this loan after my husband became disabled. With the small annuity he is receiving for his disability retirement, it would have been difficult to pay off the loan.

"I hope all credit union members who do not already know, will learn about your loan protection insurance."

(There is no charge to the member for this insurance.)

"The credit union in this post office isn't a bank—it's a religion," explained a young postal employee who not too long ago found himself hopelessly burdened with obligations to pay usurious money lenders sums amounting to about \$3,700.

His efforts to save the life of his son had been a hard and costly battle, paying for three major operations, hospital bills, nurses, and finally, his son's funeral expenses.

About this time, the treasurer of the post office credit union heard of his plight and exerted pressure on the high rate lenders to settle the entire debt for \$800 cash. The credit union then lent this amount to the bereaved father. The loan was secured by the endorsement of 39 fellow workers, all that could crowd their signatures on the back of the note.

EXPERT ON CREDIT UNIONS TESTIFIES

Mr. PATMAN. In the hearings before the Committee on Banking and Currency of the U.S. Senate, June 1, 1933, Roy F. Bergengren presented some very interesting testimony that is of importance today. It is inserted herewith.

(The material referred to follows:)

Senator SHEPPARD. I will ask that Mr. Roy F. Bergengren, of Boston, Mass., who has done more to promote this movement than any other man in the United States, be now heard.

Senator BANKHEAD. Mr. Bergengren, we will be glad to hear from you.

STATEMENT OF ROY F. BERGENGREN, BOSTON, MASS., REPRESENTING THE CREDIT UNION NATIONAL EXTENSION BUREAU

Senator BANKHEAD. State your name, residence, and your business.

Mr. BERGENGREN. My name is Roy F. Bergengren. My address is 5 Park Square, Boston, Mass. I represent the Credit Union National Extension Bureau. In addition I represent the following:

The Minnesota Credit Union League.

The Indiana Credit Union League.

The 140 credit unions in the Missouri Credit Union League.

The Central Illinois Chapter of the Illinois Credit Union League.

The Iowa Credit Union League.

The North Carolina Credit Union League.

The Credit Union League of Georgia.

The 126 credit unions in the Illinois Credit Union League.

The Denver (Colo.) Credit Union.

Chicago Municipal Employees Credit Union.

The Massachusetts Credit Union League.

The 2,000 members of the Detroit Teachers Credit Union.

The Department of Commerce Credit Union of Washington, D.C.

St. Andrew's Credit Union of St. Louis, Mo.

The credit union organization department of the Wisconsin State Banking Department.

Sixty credit unions in Tennessee.

Railway Clerks' Credit Union 417, of Davenport, Iowa.

The Adler Credit Union (Adler Manufacturing Co.), Louisville, Ky.

The In-Com-Co Credit Union (Interstate Commerce Commission), of Washington, D.C.

The 1,057 members of the Staley Credit Union at Decatur, Ill.

The Postal Credit Union of Los Angeles.

The Mengel Body Employees' Credit Union of Louisville, Ky.

The Tucson Credit Union, of Tucson, Ariz.

The Silvis Shops Credit Union of the Rock Island Railroad at Silvis, Ill.

The Chesapeake & Ohio Railway Employees' Credit Union of Ashland, Ky.

The credit union of employees of the Standard Sanitary Manufacturing Co., of Louisville, Ky.

The credit union of employees of the Tennessee Coal, Iron & Railroad Co., of Birmingham, Ala.

The Woodbury County Chapter of credit unions of Sioux City, Iowa.

The Portland Postal Employees' Credit Union, of Portland, Oreg.

The Louisville Credit Union Chapter, of Louisville, Ky.

The Municipal Credit Union of Los Angeles, Calif.

The Chicago Yards Credit Union of Armour & Co.

The Louisville Federal Credit Union, of Louisville, Ky.

The Courier-Journal and Times Credit Union, of Louisville, Ky.

The City and County Employees' Credit Union, of St. Paul, Minn.

The Public Service Credit Union, of Dallas, Tex.

Union Teachers' Credit Union, of Chicago, Ill.

Albany Hotel Credit Union, of Denver, Colo.

The credit union of employees of the Denver & Salt Lake Railway Co. at Denver, Colo.

union resources. I show you a table which is an analysis of the development of the credit union in the Postal Service. That is a typical development. It shows the beginning back in 1923 when I organized the first one with eight members, with assets of \$18.50. Down the last two lines you will see the development of the business of those credit unions during the year 1932. It shows you that those credit unions to date have made loans, since I organized the first one—and they all started with nothing and developed very slowly at first—of something like \$29,000,000.

In other words, in every post office that I have been in from one end of the United States to the other in organizing these credit unions we have found this serious need for small-loan service.

I do not know whether you gentlemen know of the state of legislation as regards the small loans business. Something like 22 States of the United States have at one time or another enacted laws permitting the private lender to charge $3\frac{1}{2}$ percent a month on loans of \$300 and less.

Senator GOLDSBOROUGH. That has been limited, though, by statute in most of the States.

Mr. BERGENGREN. Twenty-two States have enacted laws permitting the charge of $3\frac{1}{2}$ percent a month on loans of \$300 and less, and it has been decreased in some States, but the theory is that if the private lender cannot get 42 percent on those small loans the business will just go to the unlicensed lender, who operates outside of the law, at rates which make the 42 percent seem reasonable.

Senator GOLDSBOROUGH. Have not the Morris Plan banks relieved that a little?

Mr. BERGENGREN. They have relieved the situation a little. Their rates are, however, higher than the credit unions. But the credit union steps into this field, and so far as the particular group is concerned the credit union is the bank of credit of its members. The member goes to it with his credit problem and has it solved at a normal rate of interest. Each year before declaring their dividends they set aside 20 percent of their net as a surplus against the possibility of occasional bad loans.

Each one of these credit unions is self-managed; that is, it is managed by a board of directors chosen by and from the members. The board of directors conducts the business. The treasurer, who is elected by and from the board, is the manager. Incidentally every credit union is a cooperative society. That is, if I have one \$5 share in it I have one vote in its business. If I have 5,000 shares, I have one vote just the same. It is an organization of members; not an organization of shares.

Senator GOLDSBOROUGH. Who votes on membership?

Mr. BERGENGREN. That is determined in each case by the board of directors passing on all applications for membership, which must be endorsed in each case by one director. And then, of course, the person must be eligible, because he must belong to the group within which the credit union operates.

Leaving that for a moment, I want to speak very briefly about the origin and development of credit unions in order to bring you up to their record during the depression, which will bring us immediately to the question of these bills.

The first credit union, as you know—Senator Sheppard has been a student of these things for a good many years and could tell you about them—the first of these credit unions was organized in Germany by a German economist named Raiffeisen in 1848. It was organized during a period of famine. He spent the remaining 40 years of his life developing these credit unions.

From Germany the idea spread very rapidly to various parts of the world, until in 1900 a French Catholic named Desjardins in Canada started to organize a few credit unions in Catholic Church parishes in the Province of Quebec.

In 1906 Mr. Edward A. Filene, of Boston, came across these credit unions in Germany, and in 1909 he cooperated with our then bank commissioner, Pierre Jay, who subsequently became chairman of the Federal Reserve bank in New York, to put a bill on our statute books which would make credit unions possible in Massachusetts. He spent some years in developing the work, following it up very closely.

In 1921 Mr. Filene and I organized what is called the "Credit Union National Extension Bureau." Mr. Filene is "Credit Union National." I am "Extension Bureau." The agreement was that I would give up everything else that I was doing and devote myself to the work of trying to extend credit unions nationally. Mr. Filene agreed to furnish all the money that that would cost. Mr. Filene's theory is that in extending credit unions he is promoting thrift at a time when thrift promotion is necessary. Also he is establishing a plan whereby this small-

loans evil, which is a terrible burden on the workingman and workingwoman and on small farmers, is being eliminated. And, above all, he is teaching people what dividends are, what interest is, what money is all about, how to manage it conservatively and for their own best interests. Mr. Filene's theory in financing the work is, I repeat, that he is thereby promoting the public good by developing thrift through the credit unions, solving the short-term credit problems of the worker, the small business man, and the farmer, freeing them from the usurious money lenders, and teaching sound economic lessons at a time when such teaching is very essential.

I have spent of Mr. Filene's money about \$800,000 extending the credit unions nationally as a completely disinterested public service, just as though we were building libraries or establishing colleges or hospitals or something of that sort and without monetary or any other return.

We have credit union laws in 38 States. Governor Pinchot signed the thirty-eighth bill a few days ago in Harrisburg. You have a credit union law in the District of Columbia which you gentlemen enacted in the 1932 session of Congress, which is now developing some magnificent credit unions right within sight of where I am now.

Our job in connection with these credit unions has been, first, to assist in the matter of getting laws enacted. Then our job has been to assist anybody and everybody interested to organize credit unions. The last one I organized was in the Colonial Beacon Oil Co., the first credit union in the Standard Oil Co. And in this process we have come now in cooperation with the Farm Bureau Federation, the Farmer's Union, and the National Grange and other rural organizations to extend the credit union to farmers, because particularly small farmers, as you all know, are very badly off as regards the availability of normal credit resources.

We have now approximately 2,000 credit unions in the United States with approximately 350,000 members, and resources of about \$50,000,000 spread from here to California. These credit unions are self-managed by working people. They operate under the same rules and subject to exactly the same regulations as State banks, subject to annual examination by the department of banking under which they do business, with the same authority in the State banking departments to close a credit union for cause, that the State banking department has to close a bank under its jurisdiction for cause.

As I have said, we are operating now in 35 States and in the District of Columbia. Three of our State laws are so recent that we have not gotten started yet. We are operating in the District of Columbia under the supervision of the Comptroller of the Currency.

Although composed of the people whom I believe are the hardest hit by the depression, although obliged to enlist our management from among our own people without the aid of all the skill and expertness that banks are able to employ, we have come through this industrial depression without any failures of credit unions which we have organized, or involuntary liquidations, and we have had none of our societies closed up by State banking departments, although in some States some of our societies are now bigger than the average bank in the State. That is the finest record, I believe, that has ever been established by any form of banking anywhere under similar conditions of stress. It has required a great deal of courage, but yet the record stands, and we have come through.

It seems to me in the first place—and now I am getting to these bills—that there is something tremendously hopeful in this record at this particular time. If the rank and file of the people of the United States, ordinary working people, small farmers out in the rural districts, can develop from within themselves the capacity to manage money and manage it honestly and efficiently, do the business that the credit unions are doing, then I think we can still have hope that somehow or other we are going to dig ourselves out of this mess we are in, and that we are going to go ahead and accomplish the bigger and the finer things that we set out to accomplish a great many years ago in America. And it seems to me also that these credit unions now have earned the right to pretty serious consideration because of the fact that they have established this record and they have done this work during the depression.

I am not certain as to how much I should go into detail as to the future of the credit union. The credit union is in the banking field what the Ford car was when the Ford car had a monopoly of the small-car field. It is not a competitor of a bank. Never has been and never will be.

Senator GOLDSBOROUGH. May I interrupt you right there? Is there any opposition on the part of commercial banks to the establishment of credit unions?

Mr. BERGENGREN. No; I think not. Occassionaly here and there they misunderstand, but nothing serious; no.

Senator GOLDSBOROUGH. Is not your primary object to get rid of the small-loan business?

Mr. BERGENGREN. Yes.

Senator GOLDSBOROUGH. And afford an opportunity for the borrower to borrow small sums of money at reasonable and fair rates?

Mr. BERGENGREN. Yes, sir; that is what we are trying to do. And we have had much and splendid cooperation from many banks.

But the point I wanted to make was this, that during the industrial depression we have had our problems, and those have been pretty serious problems as you can imagine.

The first one of those problems is the problem which we are trying to solve by two of these bills, namely, by S. 1640 and S. 1641, the two short bills. The losses that the credit unions have had to absorb have been the losses due to the failure of their banks. I am not saying that by way of criticism of the banks, because I have been close to the situation and I know something of the difficulties that the banks have been up against. But I do say that in the protection of credit unions, so that the credit unions will be able to carry on, and carry on successfully, and to carry on safely and securely, they do need now the protection that is given in these bills.

Let me first take the bill having to do with the Postal Savings. Prior to the bank holiday somewhere between 500 and 600 of our credit unions had to absorb losses due to the failure of banks. In many small communities today there are no banks left; and if what some of the bankers tell me is true, and I think it must be, there are going to be a great many small communities which in the past never should have had banks because they never were able to support banks, they never had the business that would warrant the overhead that is incident to running a bank—that many of those small communities are going to be without banks.

I was approached recently by a business man of parts who purported to represent the two largest banks in his State, urging that we now cooperate to make a survey of his State with the thought in view of locating these places where there should be some kind of banking service, but where the communities are too small according to the experience of banking in that State to warrant the organization of a commercial bank, with the thought that these banks would cooperate with us, and that we organize little community credit unions in those places of the type which have been so successful in Germany.

But in many of our small credit unions we found ourselves prior to the bank holiday and since with no place where we could put money except in a safe-deposit box or even failing that perhaps in an ordinary safe. Perhaps the union was located in a town where there was not even a good safe deposit department available for our use. And many of our credit unions have all during that period been writing me and asking, "Can we now take our account, to the extent of the limits provided in the law"—which I believe is \$2,500—"and put it in the Postal Savings"? While it is, of course, true that the Postal Savings was designed to take care of the small savings of individuals, yet it is equally true that every credit union is nothing but that, except that a credit union is an accumulation of the small savings of several individuals of small means.

The average credit union does not carry a very great balance in the bank because we keep our money working all the time. But if a credit union in a community has no other place to take its money, and if it could take its money down to the Postal Savings and put its money in up to the limit of the Postal Savings law, it does not seem to me that that would either bother the administration of the law or violate the principle of the law; because, as I say, every one of those accounts would be an account composed of lots of little individual items, of the small accounts of the credit-union members.

Senator GOLDSBOROUGH. You spoke about some of the losses sustained by reason of the bank holiday. The bill, S. 1640, provides that you shall have the authority to deposit funds of credit unions in the Postal System.

Mr. BERGENGREN. Yes, sir.

Senator GOLDSBOROUGH. Heretofore I suppose you have been making your deposits where your money was not kept working, though you endeavored to keep it working as far as possible——

Mr. BERGENGREN. Yes, sir.

Senator GOLDSBOROUGH (continuing). In the various State and National banks?

Mr. BERGENGREN. Yes. And we shall continue to do that.

Senator GOLDSBOROUGH. And this law would have the tendency to take them out of those institutions and put them in the Postal Savings, would it not?

Mr. BERGENGREN. I think, Senator, the tendency would be this—and this is just what the credit-union people tell me: They would not cease their checking operations with the local banks, because they could not very well do that if there is a local bank. But you must bear in mind that in many of these communities, there are no banks, and very little prospect of having banks. But a credit union needs a checking system, and therefore the credit union is going to do business with a commercial bank always if one is available. Incidentally, we have not had a run during the depression.

CREDIT UNIONS

Take, for instance, the schoolteachers of Detroit. There is a very large credit union with about \$450,000, doing a magnificent service for something like 3,000 schoolteachers in that city. That credit union is run in splendid fashion. It is in great shape. And then along comes the bank holiday and tied up all of its cash, tied it up in knots. If that credit union had been able to keep, for example, some money in a Federal Reserve bank just to have it there so that when the emergency came it could go to the Federal Reserve bank to draw against its deposits, that fact would not have interrupted its normal business with its bank. Its checking business would have gone on just the same with some operating commercial bank.

But a credit union operates on a weekly basis with the money coming back each week from repayment of loans which are all paid on an installment basis, and payments of shares which are all paid on an installment basis, so if a credit union in an emergency can have in a Federal Reserve bank a relatively small deposit, so that it always has got some cash that it can lay its hand on, the credit union is going to get along all right.

I understand that the Glass bill, for example, provides that Morris Plan Banks can have membership in the Federal Reserve System. I am in favor of that. The Morris Plan Banks are doing a splendid job. The small-loan field is a very large one. The exactions of usurers in this field, however, are very great. For instance, one man borrowed \$30 and his receipts showed that he had paid in interest \$1,080, and he was then sued for the \$30, and that was, it seemed to me, rubbing it in. He paid 3,600 percent for the time he had the loan.

Senator GOLDSBOROUGH. Do you have any usury laws in your State?

Mr. BERGENGREN. Well, they are a good deal like the prohibition laws. The man who needs to borrow money is completely at the mercy of the only man who will give it to him. I had a case in my office the other day of a principal of a grammar school who brought in a roll of receipts on money that he had borrowed. I said to him, "I am glad you paid it up." He said, "I have not paid anything on the loan. This all represents interest." I said, "Do you mind if I put it through the adding machine?" He said "No." He had paid during a year and 10 months in interest the principal sum 14 times over and he still owed the principal sum. He did it to save the life of his wife. And he did pretty nearly what any one of us, I guess would do.

The Morris Plan Banks have been recognized by this new banking bill as organizations which should have access to the Federal Reserve System. I believe in that. I think it is fair. I think it is fine. I think it is an improvement of the Federal Reserve System. But it seems to me that it would be rather illogical not to permit credit unions to have similar rights. These credit unions are composed of working people. They are composed of the people who have the smallest savings, whose savings should be subjected to the greatest possible safeguards.

Senator GOLDSBOROUGH. Are you going to give us an outline of S. 1639?

Mr. BERGENGREN. I made a little brief with a few supporting statistics summarizing each of the bills in one short paragraph, and then the arguments in favor of it. I thought if you cared to take that you would have the whole story in there.

Senator SHEPPARD. Would it not be well to put that statement in the record at the close of your remarks, as a supplement to your remarks?

Mr. BERGENGREN. I will be glad to do that.

Senator BANKHEAD. You may put that statement in the record.

Senator SHEPPARD. At the close of your remarks.

Mr. BERGENGREN. I would like to leave the two short bills for a moment and proceed to the long bill, because this long bill is more complicated. I can explain it very briefly. That is S. 1639. Before I leave particularly the bill which has to do with our possible association with the Federal Reserve bank, I do hope and do most earnestly beseech you gentlemen that that bill be incorporated as nearly as possible in the Glass bill, which is now, as I understand, pending before Congress.

Senator BANKHEAD. That is a question, because the Glass bill has passed the Senate.

Senator GOLDSBOROUGH. It is in conference.

Senator BANKHEAD. It is in conference. We could not put anything in it now.

Senator GOLDSBOROUGH. No; we cannot put anything in it now.

Mr. BERGENGREN. Then I hope very much, in spite of the fact that I realize that this session is coming very shortly to a close, that this short bill, the principle of which seems to me so clear, the precedent for which has been so established by including the Morris Plan Bank in the Glass bill, that with these credit unions all over the United States carrying on so successfully and doing such a magnificent job, that that bill might be enacted.

I might say, incidentally, that there have been 92 credit unions organized since April 8. Credit unions are one form of banking. I do not know whether I ought to use the word "banking," because at home whenever there are any penalties handed out we are "banks," and when any medals are being distributed we are not "banks." As I said, since April 8, 1933, 92 credit unions have been organized in the United States, and, as I have noted, we still have a record which has never been even approximated. That, it seems to me, entitles us to a great deal of consideration.

Senator BANKHEAD. Let me ask you a few questions right here so that I can get this organization more clearly in my mind. Have you got a central organization, or is it all limited to groups?

Mr. BERGENGREN. The Credit Union National Extension Bureau, which I represent, is Mr. Filene and myself in a sort of partnership in extending credit unions as a disinterested public service. For that we get nothing directly or indirectly. There is no obligation that attaches to anything we do. The only influences we have over credit unions is moral. I mean by that, we organize them, and we have had a lot to do with getting laws through, and when a question comes up involving the interpretation of a tax law, for example, we handle that for them.

Senator BANKHEAD. Your services are entirely patriotic?

Mr. BERGENGREN. Entirely. Mr. Filene has financed this work since we started it in 1921, completely out of his own personal purse. I do not know whether you know Mr. Filene or not. He is a bachelor, and for many years I have been identified with him, mostly spending his money. Mr. Filene is the only man I know of that does not own an automobile. Mr. Filene's conception of life is to turn his money as much as possible into disinterested public service.

Senator BANKHEAD. You organize local groups?

Mr. BERGENGREN. Yes.

Senator BANKHEAD. Let us say, for instance, you go to Baltimore and you go into a certain kind of a store. Do you include just one store in that group?

Mr. BERGENGREN. Yes. The organization of a group depends to a certain extent on geographical distribution. For instance, members of the union have to be close enough geographically so as to operate effectively.

Senator BANKHEAD. Take the clerks in stores. Who are eligible in the group if you organize one in Baltimore?

Mr. BERGENGREN. Take, for instance, the Tennessee Coal, Iron & Railroad Co. in Birmingham, Ala. There we have the T.C.I. Credit Union.

Senator BANKHEAD. And it is limited to a single employer?

Mr. BERGENGREN. Yes.

Senator BANKHEAD. The group, then, must be composed of people employed by the same company?

Mr. BERGENGREN. Yes, or on the other hand, it might be such an organization as those we are organizing in cooperation with the National Catholic Welfare Conference. We are organizing a great many of them in cooperation with the conference.

Senator BANKHEAD. In the same town you may have a great many groups?

Mr. BERGENGREN. Yes.

Senator BANKHEAD. Is there any coordination or association between those groups in a certain town?

Mr. BERGENGREN. If there are enough of them, they are very apt to get together in some kind of informal city organization.

Senator BANKHEAD. But you have no real plan or requirement?

Mr. BERGENGREN. No. We have no plan for that; but we do have a plan for their organization in State leagues. For instance, Alabama has already an informal State league.

Senator BANKHEAD. But each company group is a separate unit?

Mr. BERGENGREN. Yes; an entirely separate unit.

Senator BANKHEAD. And what is the minimum number of the membership?

Mr. BERGENGREN. We have not found it practical to organize a credit group unless there be 50 potential members. Otherwise it would be too small.

Senator BANKHEAD. What is the cost of the individual share?

Mr. BERGENGREN. \$5. Payable 25 cents a payday. Or he can pay for it in cash if he wants to.

Senator BANKHEAD. He pays his 25 cents on each payday?

Mr. BERGENGREN. Yes.

Senator BANKHEAD. Suppose you had two paydays a week?

Mr. BERGENGREN. It would operate probably on a weekly basis, because the management of the credit union is also within the group, and there would be a lot of detail in operating a credit union on the basis of paying twice a week.

Senator BANKHEAD. Have you any uniform rule as to so many payments a month?

Mr. BERGENGREN. No; we have no uniform rule.

Senator BANKHEAD. In some sections payment is made once a month; sometimes twice.

Mr. BERGENGREN. Take, for instance, the postal credit unions, 298 of them. They operate on a semimonthly basis because in the Postal Service they are paid on the semimonthly basis.

Senator BANKHEAD. Is that left entirely to the group as to how often they would make the payments?

Mr. BERGENGREN. Yes.

Senator BANKHEAD. Even though they receive their pay twice a week they arrange to make payments once a week

Mr. BERGENGREN. Yes. I suppose 90 percent operate on a weekly basis.

Senator BANKHEAD. The cost of a share, you said, is \$5; and they pay on the basis of 25 cents weekly?

Mr. BERGENGREN. Yes.

Senator BANKHEAD. They only make 20 payments, then?

Mr. BERGENGREN. Yes. But that is so and that is not so. You see, the theory of a credit union is this: Suppose I think I can save 50 cents a payday and I subscribe for two shares, paying a quarter a week on each one. By the time I have got that \$10 saved I have got the habit of saving. I get no share certificates. All I get is a passbook like in any bank, and when the day comes when I have paid for those two shares, in 9 cases out of 10 I have forgotten all about them, and nobody reminds me about it. The theory is that in teaching them to save \$5 or \$10 we teach them to save \$50 or \$100.

Senator BANKHEAD. You do not issue certificates?

Mr. BERGENGREN. No.

Senator BANKHEAD. Why do you call them shares instead of just deposits?

Mr. BERGENGREN. It is the wrong word. It is not a share in the ordinary sense of the word.

Senator BANKHEAD. You referred to it as a share.

Mr. BERGENGREN. I referred to it as a share. That is the way it is described in all our laws. But it is a unit of saving rather than a technical share in any sense.

Senator BANKHEAD. Why do you make it a unit?

Mr. BERGENGREN. Because you have got to have some basis of membership. You have got to know who belongs and who does not.

Senator BANKHEAD. Well, a man belongs as long as possible?

Mr. BERGENGREN. As long as he has got \$5 in he is a member in full standing.

Senator BANKHEAD. He has got to have \$5 in it before he is a member in good standing?

Mr. BERGENGREN. Yes. Although most of our State laws provide that, for a short period, in order to get the credit union going he is a member from the time he starts paying. That is, to get it going.

Senator BANKHEAD. And after he gets one share paid for he is a member. Suppose his employment with that group terminates?

Mr. BERGENGREN. He can withdraw his money.

Senator BANKHEAD. He could not continue, then, as a member of that group?

Mr. BERGENGREN. Not in most credit unions.

Senator BANKHEAD. Although he is a shareholder?

Mr. BERGENGREN. Not in most credit unions, because in the credit union the members have to determine credit, and we have been through these 3 years of terrible and trying time with no very serious loss in our small-loan business, so we must be pretty good at it. But in a credit union we have a few rules that are different from the rules of the banks. When you apply for credit in the credit union the law says that the loan may only be made for a provident purpose, so the first object is to find out whether this loan is going to help me or hurt me. If it is going to hurt me, they cannot make the loan to me, no matter how good my credit is.

Senator BANKHEAD. I am discussing the membership.

Mr. BERGENGREN. Well, that is what I am getting at. I am trying to answer your question to this effect: That the determination of whether the man shall have that loan or not is such a personal matter that if he withdraws from the group and goes off yonder somewhere, he is supposed to withdraw from the credit union, because it is too difficult to follow him. They predicate so much on their personal knowledge of the man that if he withdraws from the sphere of operation of the union, they appreciate that they cannot continue thereafter to have that personal knowledge of him which they need.

Senator BANKHEAD. In other words, he is out of the group, whether voluntarily or involuntarily, whether he quits his job or he is discharged, released possibly because they do not need him. Then his membership is terminated?

Mr. BERGENGREN. Yes. He withdraws his money and he is through.

Senator BANKHEAD. Does he get any interest?

Mr. BERGENGREN. He does if he has been in long enough so it has earned any interest. For instance, at the end of the year all of the earnings of the credit union resulting from making loans at a fair interest rate come back to him as dividends on what he paid in.

Senator BANKHEAD. Can he pay more than 25 cents a payment?

Mr. BERGENGREN. Surely; if he wants to.

Senator BANKHEAD. He can take any number of shares?

Mr. BERGENGREN. He can take any number of shares. He can pay at the rate of 25 cents per week or he can pay cash for them. Most of them do not pay cash. It only happens once in a while.

Senator BANKHEAD. Suppose he loses his job before he completed his payment for a share?

Mr. BERGENGREN. He would withdraw what he had paid in.

Senator BANKHEAD. Who makes the loans?

Mr. BERGENGREN. The loans are made by a credit committee, which is a committee of three chosen by and from the members. That committee is apt to be three perhaps older men in the group, who have pretty close, canny knowledge of what is going on in that particular group.

Senator BANKHEAD. What sort of security do they use?

Mr. BERGENGREN. Our credit laws all provide that a credit-union loan may be made up to \$50 without any security. Over \$50 the security is sometimes endorsements of the note. As the credit union develops it is apt to an assignment of what a man has got in.

Senator GOLDSBOROUGH. You never lend a man more than he has on deposit?

Mr. BERGENGREN. Oh, yes. Sometimes a man will join for the first time for the purpose of borrowing. Of course, they have to take into account that he has no money in there, and they have to take into account that while he is paying he has to save. In other words, it is to dig him out of the hole and then fill up the hole behind him.

Senator BANKHEAD. What rate of interest do you charge?

Mr. BERGENGREN. The 38 credit union laws are uniform in that they provide that the directors of each credit union shall determine what interest rate shall be charged on loans. They provide, however, that the rate must not exceed 1 percent a month on balances—that is, 1 percent a month on the amount of money the member has the use of for that month. Many credit unions discount interest generally at a rate of 5.9 percent, which on loans payable weekly is approximately the same as 1 percent a month on balances. In a credit union, however, there are no additional charges such as service fees, paper charges, and so forth.

Senator BANKHEAD. That is one thing I wanted to find out. What expense do you have in maintaining the unions?

Mr. BERGENGREN. The only charge that the borrower has applied to his loan is the interest charge. One charge. That interest charge is the rate which that individual credit union has determined to be the rate, which must be within 1 percent a month on balances.

Senator BANKHEAD. Any compensation to your own committee?

Mr. BERGENGREN. All our laws provide that nobody can be compensated for anything except the treasurer, who is chosen by and from the directors, and he is the manager. He can be compensated in the amount that the directors determine, within limits set by the members. That is very carefully safeguarded.

Senator BANKHEAD. As a matter of experience, what has been your cost of operation and maintenance?

Mr. BERGENGREN. Our cost of operation is very low. That is the reason we can operate at such a low rate. We have no vaults or anything like that; no overhead. Our average operating cost is less than 1 percent.

Senator BANKHEAD. What is your present method of operation?

Mr. BERGENGREN. All the credit unions are supervised in the same way that the banks in the State are. For instance, Massachusetts has the same supervision over credit unions as it has over banks and trust companies. We make annual report to the State banking department, and if the State banking department on examination found us insolvent or operating improperly, they have the same authority to close us up as they would have to close up a bank which was operating under their jurisdiction.

Senator BANKHEAD. Are they required to make any reports to your organization?

Mr. BERGENGREN. No. But we have a provision in our laws that every credit union must post each month its balance sheet in the office of the credit union.

Senator BANKHEAD. Which law do you mean?

Mr. BERGENGREN. The 38 State laws under which our credit unions are operated. The credit-union laws in these 38 States.

Senator BANKHEAD. Are they uniform laws?

Mr. BERGENGREN. Pretty much so. Every credit union is required to post monthly its balance sheet in the office of the credit union. That is a very simple balance sheet. So that the credit-union member can find out by looking at the balance sheet whether the credit union is growing, and so forth. That balance sheet must stay posted until the next month, when it is replaced by the new one. We try to get the credit unions, with fair success, when they make their monthly statements, to send us a carbon copy of them, so we do know pretty much how they get along. In addition to that I have written all the credit-union books. I have to get the statistics.

Senator BANKHEAD. In addition to the two small bills here, one making provision for deposits in the Postal Savings banks and the other in the Federal Reserve banks, what is your need for Federal legislation?

Mr. BERGENGREN. The third bill is a bill that is designed to accomplish two things. In the first place, to make possible the organization of credit unions in the United States under Federal jurisdiction, which would mean that, among other things, credit unions could be organized in the 10 States which have no credit union laws. That is the first thing. In other words, it has been found now that this type of organization, by a great deal of experience, works extremely well, and it seems to me in this particular crisis through which we are going it is terribly necessary that the credit unions could be organized everywhere. That is the first thing.

The second thing it would accomplish, which is the more important thing, is part 2 of the bill, which provides that these credit unions both under Federal and State jurisdiction and under careful supervision may set up a central credit union in the State in which they operate. In that central credit union it would be possible to accomplish a great many things that credit unions need to accomplish.

Let us take a credit union in a city like Indianapolis. Take the credit union in a large store. That credit union is wondering already what to do because it has got upwards of one-half a million dollars in resources and has long since passed its peak in small-loans demand. Now, there is no particular reason in telling those folks not to save more money. In the State of Indiana the Indiana Farm Bureau organization is setting up many credit unions, each one limited to the members of the farm bureau in a given county. That would mean the bringing of cooperative credit to farmers, and, in my judgment, I think for the first time

the farmer is beginning to thing in terms of working out his own salvation through cooperative credit rather than through more legislation designed to make more arbitrary credits available to him.

For example, if in Indiana the big credit union in the city could deposit in the central credit union the money that it does not need to use for its own small-loans demand, then that central credit union could make a loan of funds to a small rural credit union which was in good condition but which had a great deal more loan demand than it had resources, and it seems to me that the net result would be in the long run that there would be a considerable amount of credit and money flowing back from the city to the rural districts. It seems to me it would be a very good thing to encourage this flow of money from the cities to the rural districts.

Senator BANKHEAD. Does 1639 provide for an organization?

Senator GOLDSBOROUGH. That is to nationalize.

Mr. BERGENGREN. Yes. To describe it very simply, the first half of it is a copy really of the District of Columbia credit union bill which you enacted in 1932. But permitting credit unions, exactly following that plan, which was the plan we very carefully worked out at the time, to be organized anywhere in the United States. That is the first half of the bill.

The second half of the bill is a provision that credit unions, whether organized under State or Federal laws, could in a given State set up a central credit union, which would operate under the supervision of the Comptroller of the Currency, with a good many careful restrictions and regulations.

Senator BANKHEAD. In other words, it is intended to coordinate all the groups within States into a Federal union?

Mr. BERGENGREN. Yes. I think that would be a very fine thing to do.

Senator BANKHEAD. Is that the purpose of it?

Mr. BERGENGREN. To make it to a certain extent possible for credit-union money to be used for credit-union people all over the State.

Senator BANKHEAD. Is it intended to go further and have one big national union to bring all the unions together into one?

Mr. BERGENGREN. I do not know whether that would be desirable.

Senator BANKHEAD. This bill authorizes the organization of a Federal credit union into which all local groups may come?

Mr. BERGENGREN. No. It authorizes the organization of one central Federal credit union in each State.

Senator BANKHEAD. It does not go further, then, than the authority to organize one group in each State?

Mr. BERGENGREN. That is all. The thing that we are most vitally concerned with right now is the matter of association with the Federal Reserve System. For instance, I cannot see any logical reason why a credit union with assets of \$2,000,000 should not merit the same connection and protection which was designed for banks of, say, similar size through the Federal Reserve System.

Senator BANKHEAD. What are the total assets now of all the groups?

Mr. BERGENGREN. I do not suppose they are very large; \$55,000,000, I suppose, or \$60,000,000.

Senator BANKHEAD. How much have you loaned out?

Mr. BERGENGREN. When we had \$50,000,000 worth of assets, we figured out that we had about \$84,000,000 of business annually.

Senator BANKHEAD. Do you borrow any money to loan?

Mr. BERGENGREN. We do some, but we are rather conservative.

Senator BANKHEAD. How do you borrow—by individual endorsement of the group?

Mr. BERGENGREN. We borrow from our banks. That is the difficulty we have now—we cannot borrow from banks. A large credit union would establish a line of credit with its bank. Most of the credit-union laws provide that they can invest money that is idle, and we encourage them to have Government bonds. Most of the idle money is invested in Government bonds.

Senator BANKHEAD. Are these local groups incorporated or are they voluntary?

Mr. BERGENGREN. No; they are incorporated under these State laws. The State laws provide the form of incorporation.

Senator BANKHEAD. No further liability on the members for loans made by members of the group?

Mr. BERGENGREN. No. Of course, a credit union has hardly any liabilities. I mean the operating costs of the credit unions are very, very small—no bills. The outstanding bills payable of all the credit unions in the United States are only a few thousand dollars right now.

You can get a conception of the postal credit unions from this setup which we have made here. I doubt if there was any business in the United States in the year 1932 that could duplicate those figures.

Senator GOLDSBOROUGH. No assessment upon shares?

Mr. BERGENGREN. No. If you will examine these figures of the postal credit unions for the year 1932 you will see that during that year they increased their resources from \$5,078,000 to \$6,167,000. They paid an average dividend of 6.59 percent. Their reserve resources total over \$500,000. Their total losses since I organized the first one have been two one-hundredths of 1 percent on a total business of \$29,000,000.

Senator BANKHEAD. Senator, is there anything else you want to ask?

Senator GOLDSBOROUGH. No.

Senator BANKHEAD. Is there anything further that you feel you ought to state?

Mr. BERGENGREN. Only this, Senator, that I hope very, very much that you will give very serious thought, particularly at this time, to this bill S. 1640. In another Congress these other matters will come up, and they will be very important, but the thing that is right now most important to us is S. 1640. If we can have for the balance of this period of difficulty, the duration of which none of us are able to foretell—if we can have during this period the protection under any rules and regulations that may be set up, of the Federal Reserve System for our larger credit unions it is going to help us tremendously.

Senator GOLDSBOROUGH. The home of these concerns is largely in New England, is it not?

Mr. BERGENGREN. Not now.

Senator GOLDSBOROUGH. That was the cradle of it?

Mr. BERGENGREN. Yes; originally in the United States, but right now they are largely in the section of the United States known as the Middle West.

Senator GOLDSBOROUGH. How many of these credit unions have you now in Maryland?

Mr. BERGENGREN. I do not know.

Senator BANKHEAD. Is there anything more you wish to say?

Mr. BERGENGREN. I have nothing more except to tell you how grateful I am. I want to thank you very much for giving me this opportunity to present this to you.

(The statement presented by Mr. Bergengren is here printed in the record as follows:)

“STATEMENT SUBMITTED BY ROY F. BERGENGREN, EXECUTIVE SECRETARY OF THE CREDIT UNION NATIONAL EXTENSION BUREAU, REPRESENTING CREDIT UNIONS

“Description of the bills

“The three bills (S. 1639, 1640, and 1641) have two purposes: (1) to strengthen credit union depositories; (2) to encourage the rapid development of credit unions. Both purposes are of emergency importance for the reasons hereinafter set forth.

“S. 1640 would authorize credit unions to deposit in and to borrow from Federal Reserve banks, thereby protecting particularly the large city credit unions of wage workers when their banks of deposit fail.

“S. 1641 would authorize credit unions to deposit in Postal Savings banks, thereby protecting credit unions particularly in small communities where, in many cases, there is now no banking service at all.

“S. 1639 would authorize the organization of credit unions in the United States under Federal jurisdiction. Part I of this bill is copied from Public, No. 190, Seventy-second Congress, which authorizes the organization of credit unions in the District of Columbia. Part II authorizes the organization in each State of a central credit union to which the credit unions in that State would be eligible.

“Definition

“A credit union is a cooperative bank, organized within and limited to a specific group of people, managed by officers chosen by and from the specific group, operating under State supervision and subject to annual examination by the State banking department (with the authority in the department to close for cause), supplying its members with (1) an excellent system for accumulating savings which enables them (2) with their own money and under their own management to take care of their own short-term credit problems at normal

rates, with all resulting earnings reverting to the members of the specific group as dividends and surplus.

"Credit union history

"(1) The first credit union was organized in Flammersfeld, Germany, in 1848.

"(2) The first credit union law in the United States was enacted by Massachusetts in 1909.

"(3) There are now similar laws in 38 States (3 of them, in Oklahoma, Washington, and Pennsylvania, enacted in 1933) and, by action of the 1932 Congress, in the District of Columbia.

"(4) There are now approximately 2,000 credit unions in the United States, with approximately 350,000 members and resources of more than \$50,000,000. These credit unions are spread over 35 States and the District of Columbia. Between April 8 of this year and May 31, 88 new credit unions were organized in the United States.

"CREDIT UNION RECORD DURING THE DEPRESSION

"(1) Ninety percent of all of the credit unions were organized, directly or indirectly, by the Credit Union National Extension Bureau, which is financed by Edward A. Filene, of Boston, Mass., as a disinterested public service.

"(2) All credit unions, as noted, are examined by State banking departments, and would be closed by the examiners if found insolvent or operating improperly. Credit unions are examined as severely as are banks.

"(3) In 37 of the 38 States there has not been a failure or a credit union closed. No credit union of wage workers has failed or been closed, no rural credit union has failed or been closed, no credit union organized by the bureau has failed or been closed.

"(4) They have, although State examined and composed of the folks hardest hit by the depression and self-managed, come through the depression with the finest record ever established by any form of banking in time of stress.

"(5) The largest credit union has several thousand members and resources of better than \$2,000,000. Some credit unions are very small. Attention is directed to the summary of operation of the 298 credit unions of postal employees attached hereto.

"(6) While most credit unions are organizations of city wage workers now, many rural credit unions are being organized in cooperation with the National Grange, the American Farm Bureau Federation, and the Farmers' Union.

"(7) The credit union is capable of almost limitless expansion. Credit unions (1) promote thrift; (2) by creating credit for their members at normal interest rates, eliminate usurious money lending and (3) educate their members in matters having to do with the more effective protection of their own savings.

"(8) A credit union is a cooperative society in which each member has but one vote whatever his shareholdings, each credit union doing business solely with members.

"WHAT LOSSES HAVE BEEN SUFFERED DURING THE DEPRESSION

"(1) The only severe losses suffered by credit unions during the depression have been due to the failure of their banks of deposit.

"(2) All three of the bills (S. 1639, 1640, and 1641) will help to relieve this situation by making it possible for credit unions to deposit in (a) Federal Reserve banks, (b) in Postal Savings banks, and (c) in their own central depositories.

"IF THE CREDIT UNION WORKS WELL, HOW MAY IT BE MOST READILY EXTENDED

"(1) By enacting S. 1639, which makes credit union organization under Federal jurisdiction possible anywhere in the United States, following the plan which has been carefully worked out in the many State laws."

Senator BANKHEAD. Senator Sheppard, is there anything further you wish to present to the committee?

Senator SHEPPARD. No, except to renew my thanks for your kindness in giving me these hearings.

Senator BANKHEAD. The subcommittee will now stand in adjournment.

(Thereupon at 12:20 p.m., Thursday, June 1, 1933, the hearing was concluded.)

CREDIT UNIONS IN DISTRICT OF COLUMBIA, 1959

Mr. PATMAN. Since Mr. Bergengren mentioned about different credit unions serving different types of organizations, I am inserting herewith a list of the credit unions of the District of Columbia 1959 serving employees of Federal Government agencies and U.S. military installations. It will be noticed that there are credit unions in the House of Representatives, in the different agencies represented by members of the President's Cabinet, Federal Deposit Insurance Corporation, Federal Reserve Board, Internal Revenue Service, the U.S. Treasury Department, Federal Trade Commission, the White House and many others.

It is as follows:

CREDIT UNIONS IN THE DISTRICT OF COLUMBIA SERVING EMPLOYEES OF FEDERAL GOVERNMENT AGENCIES AND U.S. MILITARY INSTALLATIONS

FEDERALLY CHARTERED CREDIT UNIONS

Alliance Federal Credit Union (affiliated with Railway Mail Service).
 AMS Employees Federal Credit Union (Army Map Service).
 Andrews Air Force Base Federal Credit Union.
 Budget Federal Credit Union (Bureau of the Budget).
 Bureau of Customs Federal Credit Union (Treasury Department).
 Bureau of Engraving and Printing Federal Credit Union (Treasury Department).
 Census Federal Credit Union (Commerce Department).
 Civil-Aeronautics Federal Credit Union.
 Coast Guard and Bureau of Narcotics Federal Credit Union (Treasury Department).
 Congressional Employees Federal Credit Union (House of Representatives).
 Department of the Interior Federal Credit Union.
 Department of Justice Federal Credit Union.
 Department of Labor Federal Credit Union.
 Disbursement Division Employees Federal Credit Union (Treasury Department).
 FCA Employees Federal Credit Union (Farm Credit Administration).
 FCC Employees Federal Credit Union (Federal Communications Commission).
 Federal Deposit Employees Federal Credit Union.
 Federal Power Commission Employees Federal Credit Union.
 FHA Employees Federal Credit Union (Federal Housing Administration).
 FHLBB Federal Credit Union (Federal Home Loan Bank Board).
 FRB Federal Credit Union (Federal Reserve Board).
 Freedmen's Hospital Federal Credit Union (Department of Health, Education, and Welfare).
 General Services Administration No. 1 Federal Credit Union.
 General Services Administration No. 3 Federal Credit Union.
 GSA Region 3 Employees Federal Credit Union (General Services Administration).
 Government Printing Office Federal Credit Union.
 Gravelly Point Federal Credit Union (Navy Engineers-National Airport).
 Headquarters Command, USAF Federal Credit Union (Bolling Air Force Base).
 HEW Employees Federal Credit Union (Department of Health, Education and Welfare).
 Internal Revenue Federal Credit Union (Treasury Department).
 Lafayette Federal Credit Union (former employees of Reconstruction Finance Corporation).
 Langston Area Federal Credit Union (Adjutant General's Office—Department of the Army).
 Library of Congress Federal Credit Union.
 Marcom Federal Credit Union (Maritime Commission).
 NSA Federal Credit Union (National Space Agency).
 NAS Anacostia Federal Credit Union (Naval Air Station).
 National Archives Employees Federal Credit Union.

National Labor Relations Board Federal Credit Union.
 Navy Federal Credit Union.
 Navy Yard Federal Credit Union.
 National Capital Housing Authority Federal Credit Union.
 Northwest Federal Credit Union (Central Intelligence Agency).
 NLM Federal Credit Union (National Library of Medicine).
 NRL Federal Credit Union (Naval Research Laboratory).
 OCDM Federal Credit Union (Office of Defense Mobilization).
 OQMG Federal Credit Union (Office of Quartermaster General).
 Patent Office Federal Credit Union (Commerce Department).
 Pentagon Federal Credit Union.
 Public Debt Federal Credit Union (Bureau of Public Debt—Treasury Department).
 Public Health Service Federal Credit Union (Department of Health, Education and Welfare).
 Public Roads Federal Credit Union (Commerce Department).
 REA Federal Credit Union (Rural Electrification Administration—Agriculture Department).
 SEC Employees Federal Credit Union (Securities Exchange Commission).
 Senate Employees Federal Credit Union.
 Smithsonian Institution Employees Federal Credit Union.
 St. Elizabeths Hospital Employees Federal Credit Union (Department of Health, Education, and Welfare).
 State Department Federal Credit Union.
 Tacomis Federal Credit Union (Tariff Commission).
 TMB Federal Credit Union (Taylor Model Basin—Navy Department).
 Trade Commission Federal Credit Union.
 Treasury Department Federal Credit Union.
 U.S. AEC Employees Federal Credit Union (Atomic Energy Commission).
 U.S. Civil Service Commission Federal Credit Union.
 U.S. Housing Federal Credit Union.
 Walter Reed Army Medical Center Federal Credit Union.
 White House Federal Credit Union.

DISTRICT OF COLUMBIA-CHARTERED CREDIT UNIONS

Agricultural Employees Credit Union.
 Department of Commerce Credit Union.
 GAO Employees Credit Union (General Accounting Office).
 In-Com-Co Credit Union (Interstate Commerce Commission).
 Post Office Department Employees Credit Union.
 Railway Mail Service Credit Union.
 Standards Credit Union (Bureau of Standards—Commerce Department).
 Veterans Administration Employees Credit Union.
 Washington Postal Employees Credit Union.

[From the Congressional Record, May 25, 1954]

THE WORLD NEEDS CREDIT UNIONS

Extension of Remarks of Hon. Wright Patman of Texas in the House of Representatives, Tuesday, May 25, 1954

Mr. PATMAN. Mr. Speaker, I am inserting herewith an article by Roy F. Bergengren, which appeared in the April 1954 issue of the credit union publication, the Credit Union Bridge. It is as follows:

"THE WORLD NEEDS CREDIT UNIONS

"(By Roy F. Bergengren)

"If we understand what further Communist penetration means to the world, to our country, to the credit union, and to you and me as individuals, then we may the better take steps to stop Communist progress.

"Much has been written about communism. The word has innumerable definitions. Innumerable writers will write the word innumerable times in innumerable articles today, and the morning paper tomorrow will probably contain more

references to communism than it will to anything else. It is a word which makes people afraid. Sometimes it is simply an epithet, which one applies to someone else, merely to show how much he dislikes the individual whom he calls a Communist, because he can't think of a worse word.

"Before we get too jittery about communism we should occasionally define it, just to keep the record clear. Then we should note the purpose of the Communist government and the progress which it is making to establish that purpose in fact. This should lead logically to some consideration of what we can do to prevent the fulfillment of that purpose and any further progress toward it.

"The difference between communism and democracy is, it seems to me, relatively simple. It has been repeatedly stated but will bear restatement if we are to understand the job we have to do.

"Communism is based on the theory that the state is the master and that the individual, meaning you and me, is the servant of the state. The right to own property is eliminated. Individual initiative is destroyed. In practice, communism differs but little from the fascism of Hitler. There are no free elections. Power is concentrated in a topman, sustained by a few associates, all of whom have assumed authority without choice by the people. They are sustained in their control by absolute sway over the army and all the machinery for making war. This, incidentally, is probably one of the greatest weaknesses of communism because, with the military control gone, the Communist rulers are without power.

"Early in the Soviet revolution, every attempt was made—not with complete success—to abolish the right to worship.

"It is obvious that there can be no credit unions within a Communist-controlled state. The credit union is economic democracy in action. Each credit union is self-governed and each member has 1 vote—and only 1 vote—and the right to cast it. It is logical, therefore, that credit unions are reviving rapidly in democratically controlled West Germany.

"At the opposite extreme of human association in government from communism is democracy. The democratic state is the servant of the people who compose it. The people elect their governors in free elections. They criticize their governors when they see fit. The people change their governors when they are dissatisfied. Any form of dictatorship is abhorrent to a democracy. 'Of, by, and for the people' is an understandable code. Within the atmosphere of democracy the credit union readily takes root and flourishes. We must, in the credit unions, keep vividly in mind that we can operate only within the framework of democracy. Our stake, therefore, in the prevention of the further extension of communism is prodigious.

"We should also remember that communism long since declared war on democracy, openly, without equivocation or qualification. Communist leaders, from the very beginning, have made it clear that they are committed to a plan of world dominion, of dominion over you and over me, whether we like it or not.

"Communist leaders have made no secret of this conviction. Marx, Lenin, Stalin, repeatedly gave utterances to it.

"Lenin expressed it this way: 'The existence of the Soviet Republic side by side with imperialist states for a long time is unthinkable. One or the other must triumph in the end. And before that * * * a series of frightful clashes between the Soviet Republic and the bourgeois states is inevitable.'

"We must ever have it in mind that, in Soviet thinking, the one imperialistic and bourgeois state, which stands in the path of Communist control of the world, is the United States.

"It is this avowed policy of Communist world dominion which accounts for the futility of diplomatic conferences with Russia. Communism does not recognize the validity of agreements. We deceive ourselves when we fail to understand that we are faced with an adversary which does not fight according to the rules of the Marquis of Queensberry—or any other rules.

"How far, then, has Russia traveled, in a relatively few years, in their program of world dominion?

"Take a look at the map of the world. In Europe, Russia is by far the largest national unit. Within Russian influence and present control are the Communist countries of Poland, Czechoslovakia, Hungary, Rumania, and Bulgaria. Russia controls the eastern sector of Germany and has a strong toehold in Austria. When the avowed purpose of communism is understood, there is nothing mysterious about Russian refusal to give up any territory which they control. As this is being written, the threat of Communist control of Italy grows hourly greater. All over the world there is a network of Communist intrigue, designed to capitalize any local weakness in favor of a switch to communism.

"Turning to Asia, we find that the continent is composed primarily of Communist Russia and Communist China, with Communist agitation in all the smaller surrounding countries.

"Bishop Fulton J. Sheen, in a recent article in Collier's, points out that 37 out of every 100 people in the world are now under Communist influence.

"That gives us the dimensions of the job.

"We have two alternatives. We can build a wall around North America, withdraw within it, arm to the teeth and give the rest of the world to communism while we wait for the final struggle. That might be the right solution were it possible to build a wall which could not be scaled by atomic weapons. The other alternative is to accept leadership in a free world and to do whatever may be necessary to bring freedom to all parts of it.

"It seems obvious to me that we have no choice.

"Our first job then is to contain communism within its present boundaries.

"As we face up to this problem we must appreciate again that communism is smart. It capitalizes want, destitution, and economic despair. It finds in the world ample areas where people, without hope for a better tomorrow for themselves and their children, will listen to promises, not knowing anything about Communist performance.

"In many books by well-qualified observers on the spot in countries, particularly in the Middle and Far East, we learn of these conditions which fertilize the soil for communism. We come face to face with landless, tenant farmers, and city workers, crowded into slums, living in poverty, and always hungry.

"When the Communist says to the man who has nothing, 'Follow me and you will have everything,' is it any wonder that such a man should listen?

"Time and time again, in these books, we meet the high-rate moneylender, with a stranglehold on the people and on their economy.

"Usury is something which we, in the credit unions, understand. The elimination of loan sharks has been our objective from the beginning. The credit union is the most effective device as yet to come from the mind of man; capable of destroying usurious moneylending.

"Usury in the underprivileged countries, where democracy now struggles with communism, is our part of the overall problem of preventing the further extension of communism, by destroying the most flagrant abuse which makes people listen to Communist promises.

"The business of containing communism within its present boundaries is a prodigious job. It calls for the combined operations of many democratic forces. Our part is within the field of small, personal credits. This is one of the most important segments of the entire problem.

"If we can help to bring that measure of economic opportunity to submerged peoples which will prove to them the superiority of democratic action over Communist promises, we will do our bit for these people, for our country, and for the world.

"Are we geared to do this? Will the credit union work in submerged countries?

"We know what the credit union is doing in the United States and in Canada. Will it work as well in those parts of the world where the people lack every facility which has made North America so much a land of limitless opportunity?

"Let us take another look at the map of the world.

"Prior to the Second World War, Rev. Allen Huber organized the first credit unions in the Philippines. They now have a good credit union law and need promotional cooperation. With the enactment of the Federal credit union law in 1934, Lance Barden organized credit unions of Orientals in Hawaii. Father Peter Sullivan, a Jesuit missionary, is developing a splendid credit union movement in Jamaica and the Jamaica Credit Union League is a proud member of the Credit Union National Association. Another Jesuit, Father M. M. Ganey, took the credit union to the Caribs in British Honduras. Because of his success he was transferred to Fiji where he is already reporting credit unions. He writes of the 'credit union hungry people of Fiji.' Father Steele has a substantial credit union movement started in the Dominican Republic. A former league managing director writes me that her child's seventh grade textbook contains reference to the work of another priest who is organizing credit unions in Natal West Africa. Every news release from Madison tells of increasing contacts and of new interest in the credit union program in many parts of the world.

"We have the samples. We have the technique. We have the know-how. We have \$2 billion of assets in 18,000 credit unions and own the most rapidly developing life insurance company in North America.

"We have the money. We have the opportunity. We have the responsibility.

"We received the credit union as a gift. Now it is our high privilege to give it to people who need it in those parts of the world where democracy is at grips with communism and where the credit union may become a powerful ally on the side of democracy.

"I have suggested the following general plan of action to as many credit union people as I could reach. Every reaction to the plan—and they have been many—has been enthusiastically favorable to it.

"The outline is, of course, very tentative. The plan must be worked out carefully. If, however, we are to carry the credit union to submerged people, we must do it now. The problem of containing communism is a present problem. It is the greatest problem confronting the free world and its solution cannot wait on too many tomorrows.

"The suggestions subdivide as follows:

"1. That we create the overseas department of CUNA and that we will assign to its direction a full-time, well-qualified man, to work under the direction of the national managing director.

"2. That we invite, in the beginning, four countries, carefully selected on the basis of need and local cooperation (India, Pakistan, Malaya, and the Philippines for example) to each send one qualified man to Madison for training.

"3. That the men so chosen, plus those added from time to time, be constituted as the CUNA overseas field force and that they be trained to carry on credit union development.

"4. That, in cooperation with them, we cause to be prepared adequate publicity materials, accounting forms, etc., in the language of the countries in which work is to be done, and that we supply them without charge.

"5. That these men, when trained, return to their respective countries and go to work, developing a credit union movement in each country.

"6. That the plan be extended after the technique has been adequately established.

"7. That the CUNA overseas department cooperate in every possible way with such outstanding agencies at work in this field as World Neighbors, Inc., CARE, Inc., the point 4 program, with the local governments and with any and all agencies working to improve the economic lot of the people.

"8. That the organized credit union movement finance the whole program, including salaries and travel of fieldmen, etc., and that an adequate plan of financing be worked out.

"It is a most happy circumstance that the planning committee of the executive committee had this general subject under careful consideration. Such a plan could be worked out for consideration by the May meeting of the Credit Union National Association.

"The whole foundation of the program is to be found in the acute economic needs of people. If we can bring the credit union to them, lifting from their backs the curse of usury, they, in their new found freedom, will be increasingly receptive to everything the free world has to offer.

"We in the credit union movement, have long been committed to one basic objective, to prove that the principle of the brotherhood of man is a practical principle, to be taken literally. We believe we can make it work.

"In Mark it is related how the risen Christ appeared to His disciples and 'He said unto them, go ye into all the world, and preach the gospel to the whole creation.'

"Believing the credit union to be consistent with His principles, I offer the thought that that would be His instructions to us.

"(EDITOR'S NOTE.—During recent months CUNA has rapidly increased its worldwide encouragement of credit unions as a means of economic democracy and well-being of all peoples through membership in CARE, through contacts with officials of the point 4 program, the United Nations, and the Pan American Union, through development of CUNA-CARE self-help centers in the Philippines, and through an increasing volume of correspondence with peoples of the world, mostly as a result of CUNA's public-relations program and advertising in national magazines. Visitors, encouraged by Federal and United Nations officials, come to Filene House to learn about credit unions, and to bring the idea back to their homelands. During the past week, for instance, visitors have come from Germany, Mexico, and Chile. Finally, CUNA planning committee, appointed by President Yates, has made overseas development a major objective for the future. Mr. Bergengren's article is a notable expression of the urgency of this worldwide

vision and thinking that is being felt increasingly by the whole credit union movement.)

“And how do you fight communism in the underprivileged countries? Do you fight it by telling your people about your television, your automobiles? Is that the way to fight it? No. You send doctors, scientists, technical experts to the underprivileged countries. You fight it with unselfish aid * * * from individuals and groups as well as from their nation.” (Trygve Lie, former Secretary General of the United Nations.)”

[From the Congressional Record (House), Mar. 7, 1955]

**CREDIT UNIONS ARE THE ANSWER FOR UNMERCIFUL LOAN SHARKS AND
RUTHLESS SHOTGUN LOAN OFFICES**

Mr. PATMAN. Mr. Speaker, a recent article in the New York Times—January 17, 1955—tells how household workers, tradesmen, and Government employees in Pakistan are burdened by excessively high interest rates. A Hindu launderer pictured in the Times with his family is reported to have paid over \$1,200 interest on \$3.58 borrowed in 1951.

It was not too many years ago that Americans faced with emergencies of one sort or another, and in need of credit to finance payment found themselves in somewhat similar circumstances.

Even today there are many individuals who are not accommodated by their local banks. They turn to the small loan and finance companies where they pay large sums of interest on their borrowings.

However, unlike the Pakistani, these people can avoid excessive borrowing costs. This has been made possible by the organization of credit unions. I insert in the Record the remarkable story of the credit union which appeared in the September 1954 issues of Changing Times, the Kiplinger magazine.

I also insert the article from the New York Times of January 17, 1955, entitled “Poor of Pakistan Sorely Burdened.”

[“From Changing Times of September 1954]

**“YOU CAN START A CREDIT UNION—THE PROCEDURE IS SIMPLE AND YOU WILL
GET PLENTY OF HELP—THEN YOU HAVE A GOOD PLACE TO PUT MONEY AND TO
BORROW FROM**

“By starting a credit union, a group of people solve two common problems—where to borrow money at reasonable rates and where to save it at profitable rates.

“If this idea appeals to you, and you do not already belong to a credit union, you may want to get one going. But first you will want to know more about what a credit union is, how it operates, and how much work is needed to set it up.

“The simplest definition of a credit union is this: An organization of people—usually people employed together—who agree to save their money together and to make loans to each other at low rates of interest.

“Members of a credit union deposit money, preferably on a regular basis, in any amount from 25 cents on up, for which they receive shares in the credit union. Usually a share is worth \$5. The money they deposit becomes a fund, available to all members for borrowing. The maximum rate of interest on borrowed money is 1 percent a month on the unpaid balance. In some credit unions the rate is a bit lower.

“Loans are made on the approval of an elected credit committee, and no security is required on loans under \$300 to \$500, depending upon the operating charter of the credit union. Amounts in excess of the unsecured limit may also be borrowed on a car or some other security. Loans are granted quickly with a minimum of redtape.

“The credit union will, of course, show a profit from its lending operations if everything works out OK. After expenses are paid and a small reserve for bad debts is set up, the remaining money is returned to the shareholder members as dividends. The amounts of dividends vary, but they average 3 percent a year.

“How can a credit union lend money at lower rates and pay its members higher dividends than most comparable commercial organizations? Because the credit union is a nonprofit cooperative organized among a selected group

of people—which means that it pays less in taxes, in salaries, in credit investigation and collection costs, and in general overhead.

“NINE MILLION MEMBERS

“Because the credit union is such a simple device and is so successful in meeting the financial needs of a large number of people, credit unions are springing up all over the United States and Canada at a rate that has surprised even their most enthusiastic supporters.

“At this moment there are roughly 9 million credit union members in the United States and Canada. There are some 18,000 credit unions with assets of more than \$2½ billion. It is estimated that credit unions were the source of roughly 11 percent of all consumer borrowing last year.

“Some of the largest credit unions with assets of millions of dollars employ a large staff of paid clerical help. Others operate with no paid help whatsoever. (Officers always serve without pay, except the treasurer, who may get a salary.) Credit union operation is fairly standardized, and experts in book-keeping and accounting, although desirable, are not necessary to the successful operation of a small association. As few as 50 people actually can have a credit union.

“IT’S EASY TO GET GOING

“You will be pleasantly surprised to learn how easy it is to form a credit union. You don’t need a lot of money and a battery of lawyers or accountants, and it doesn’t take much time. A credit union can be organized in a month with the work of only a few people, and you can get expert help in organizing one without any charge whatsoever.

“But first ask yourself which group of people would be the most logical to organize. Would it be the people you work with, the members of your union, the members of your church, or the people who live in your neighborhood? Credit unions have been established under the sponsorship of all kinds of groups. One credit union limits its membership to descendants of certain families, and another was formed by members of a poker club.

“Most credit unions, however, are established by groups of employees in factories, offices, banks, schools, or government. About 80 percent of credit unions are based on occupational groups, some of them under trade union auspices and some under employer auspices.

“If you are a member of a group that is likely to be interested in organizing a credit union, here is a step-by-step outline showing how one can be set up.

“1. Your first move is to get in touch with the Credit Union National Association, Filene House, Madison 1, Wis. Ask for literature describing credit unions and for the help of an organizer. His services are free. CUNA has a staff of 19 such men, and many State credit union leagues also employ organizers. If a regular organizer isn’t available, someone from an existing credit union in your area will be asked to help you get started.

“2. The organizer will go directly to the employer, the minister or the union president, depending upon the group to be organized, and explain the way a credit union works and how it can help its members. He will request and will usually get the cooperation of the sponsoring organization. In most cases, the company, church or union provides small office space for the credit union. Employers sometimes sanction payroll deductions for the purchase of credit union shares.

“With cooperation assured, the organizer will then ask the sponsoring organization to call together a group of 15 or 20 people from all ranks of the organization. The purpose of this meeting is to sell the credit union idea and to get the charter application signed.

“3. At this charter meeting, the organizer will again explain the aims and usefulness of the credit union and will answer questions. And in order to get things going, he will then ask whether the group is really ready to go ahead and file an application for a charter.

“4. Seven or more members are required to sign the application, and each of them may be asked to contribute a small amount, usually about \$5, toward the charter fee. Later on, these signers of the charter application will be given shares in the credit union to reimburse them for their initial contribution.

“5. With your application for charter you will also have to file a set of bylaws for the operation of the credit union. Copies of a standard set of bylaws are available from the organizer or directly from CUNA.

"6. At this same charter meeting you will select a committee to nominate a slate of officers for the credit union, including a president, a vice president, a treasurer, three members of the credit committee and a three-man supervisory committee.

"7. With the slate of officers ready, the next step is to call an organization meetings. All members of the union, church, or neighborhood or fellow workers will be informed of the meeting and asked to attend. At this meeting officers will be elected, and a general summary of credit union aims and methods will be given to all prospective members.

"Immediately after this meeting an open meeting of the newly elected board of directors and officers will be held to accomplish the following jobs:

"Apply for a bond for the treasurer so that he may handle the funds; select a bank in which credit-union funds shall be deposited; set a limit, if any, on the amount of shares that any one member may hold; establish the rate of interest to be charged (not more than 1 percent on the unpaid balance); authorize the expenditure of enough money to buy supplies—a set of books, membership cards, etc. (usually it takes from \$60 to \$150, including the charter fee, to get a credit union going); set the time and place at which deposits may be made and loan applications received; approve all applications for membership; set the time and place of the monthly meetings of the board.

"After these preliminaries, the credit union is ready to begin operation.

"TAKES TIME TO GROW

"Typically, only a small percentage of the potential membership will join the credit union at its earliest stages. Within the first year fewer than 10 percent of the group may sign up. But as a rule, credit-union membership doubles every year for the first 5 years, and assets do, too.

"The number of participants in the credit union depends largely upon the kind of group you have and their experience with cooperative activities. In a plant where there are bowling and baseball leagues or in an office where there are frequent social affairs, a credit union will usually attract a large share of the potential members. Sometimes, however, the credit union itself is the magnet that draws people together.

"During the first year of operation, credit union officers and committee members should be in close contact with the organizer or with officers of a nearby credit union. Difficulties are bound to arise, and experienced help will be a blessing.

"OBSTACLES YOU MAY ENCOUNTER

"Sometimes, of course, organizing a credit union turns out to be difficult. Here are some of the stumbling blocks.

"Lack of leadership: the organizer and others interested in forming a credit union should be careful to pick as leaders people who are respected and who have influence among the members of the group that will form the credit union. The election should not be a popularity contest. The office of treasurer is particularly important. He or she should be a person to whom other people can bring their troubles—and a person of excellent reputation.

"General or specific opposition: Occasionally the sponsoring group for the credit union will oppose the organization on principle. And in some cases, opposition comes because the credit union may interfere with an existing and profitable loan-shark racket.

"Most often it is simply a lack of understanding of how a credit union works that causes friction. A good organizer can overcome most of that opposition. As a matter of fact, there are far more credit-union supporters among company presidents and union leaders than there are critics.

"Poor timing: A successful credit union cannot be organized unless there is some live, current need for it and some willingness—at the crucial time—on the part of a small group of people to do the organizing job.

"If your efforts are successful, you will have created an organization that is truly a help to many people. As the credit union grows, you will notice that more and more of its members develop regular habits of thrift and that fewer and fewer of them become overburdened with heavy debts at high rates of interest—in short, that the members begin to learn how to manage their money wisely.

"HOW A CREDIT UNION STACKS UP FOR BORROWING AND FOR SAVING

"As you can see, it is a better-than-average place to get a loan and a good place to keep your money.

"If you borrow \$100 and repay it in 12 monthly installments you will pay this much interest or carrying charge:

"Personal loan from a bank: \$4 to \$12; most loans range between \$6 and 8.

"Life insurance policy loan: \$2 to \$3 if repaid monthly.

"Auto loans from banks or finance companies: \$3 to \$6 on new cars; \$5 to \$18 on used cars.

"Carrying charges on installment purchases: No common rate; may cost from \$3 up to \$25 or more.

"Small-loan company: \$13 to \$24.

"Credit union: \$6.50 most common; may be a bit lower.

"If you have \$100 in savings you will get this much in annual dividends or interest:

"Bank savings account: \$1.50 to \$2.50.

"Savings bonds: \$3 if held 10 years; interest first year about 1 percent.

"Savings and loan associations: \$2 to \$4.

"Credit union: Usually \$3."

[“From the New York Times of Jan. 17, 1955]

“POOR OF PAKISTAN SORELY BURDENED—SOME VICTIMS COMMIT SUICIDE AND ALMOST ALL ARE FORCED TO PAY INTEREST FOR YEARS

“KARACHI, PAKISTAN, January 11.—Organized moneylenders, the bane of Pakistan's poverty-stricken millions, are driving victims to suicide.

“These giant Pathans, who hail from the rugged northwest frontier province and are recognized by their heavy, steel-tipped walking sticks, black-turbaned heads, and mercurial tempers, work with brutal efficiency.

“Here in the capital of a Moslem state where usury is forbidden by Islamic law, they prowl day and night, striking terror in the hearts of household servants, tradesmen, and Government employees from whom they collect interest at the rate of 25 percent a month on loans of 100 rupees (\$30.58) to 500 rupees (\$152.95) made 10 and 15 years ago.

“The Pathan has never been known to insist on repayment of principal, and a borrower's offer to repay a loan is refused with a gesture of magnanimity that discourages a second try.

“Attempts to escape or to enlist the support of the law are thwarted.

“INFORMAL NEGOTIATIONS

“Negotiations are most informal, yet most binding. They usually begin in the dimly lighted corner of a fly-ridden tea stall, the office of the ubiquitous Pathan. A potential client is conspicuous, his worried facial expression reflecting the delayed but unavoidable decision that there is no one else to whom he can turn.

“Timidly he takes an adjoining table and smiles nervously across to the usurer. Sometimes, a borrower will tell you, he wanted to turn and run. The memory of a suicide who could find no other way out of the Pathan's debt, the thought of not being able to repay the loan if he lost his job—these almost deterred him. But the need for money to pay his child's doctor bill or to buy a peddler's cart or clothes for the clerical job he finally got, these outweighed his fears.

“The gambit acknowledged, the Pathan invites the victim to join his table. In the unhurried custom of the East they chat with apparent amiability for a few minutes and then, in the din of native song from a radio, get down to business.

“The client needs 300 rupees (\$91.74). He signs a note for 600 rupees (\$183.53), a cautious procedure insisted upon by the moneylender for his own protection should the case get to court. The borrower receives 225 rupees (\$68.80), the 75 rupees (\$22.94) withheld representing interest payment for the first month.

"LEGAL ACTION DISCOURAGED"

"The practice of recording the loan at double the amount gives the Pathan a possibility of assurance that if the client dares bring the matter to the claims court, the magistrate would recommend settlement by payment of half the principal. There are few instances of this; the borrower knows that resort to the law usually is followed by violence against him by goondas, hired thugs who beat him between the Pathan's temporarily unsuccessful collection visits.

"One loan victim, Mohan, a Hindu dhobi (launderer), was freed by the usurers last week after an association that began in December 1941. In addition to holding a receipt for the original loan of 100 rupees (\$30.58) that he borrowed 13 years ago, the jubilant dhobi showed a collection of 157 receipts that represented interest payments of 25 rupees (\$7.64) a month since December 1941—a total of 3,925 rupees (\$1,200.30) paid for the loan of 100 rupees.

"Mohan, his wife and their four children occupy a squalid hut, rent free, on the grounds of a wealthy landlord in exchange for washing and ironing the clothes of his master's family of eight.

"Now that he is out of debt to the loanshark, Mohan thinks of him as a friend.

"Among the hundreds who share bitter memories of the vengeful Pathan is the family of a late victim 'dealt to death' according to police reports, 'and eyes removed.'

"Apparently unable to prosecute the Pathans for flouting the religious injunction against usury, legislators in at least one province are trying to enact a civil statute that would end the moneylenders' racket. In the meantime they flourish."

[From the Congressional Record (House), Apr. 15, 1957]

CREDIT UNIONS HELP SMALL BUSINESS

Mr. PATMAN. Mr. Speaker, on last Thursday, April 11, I brought to the attention of the House the proposal made by Mr. Edward T. McCormick, president of the American Stock Exchange, to the bankers of Wall Street, that they, the bankers, should appoint a special committee to study the credit problems of small business. Mr. McCormick proposed that the bankers should be ready to advise the small businessmen and should help in providing equity capital to them. I was happy to commend Mr. McCormick's proposal and to repeat that which we have said repeatedly, that the Select Committee on Small Business is anxious to have the cooperation of the banks, the insurance companies, Government agencies, and all others who are interested in this problem of credit for small business. Our committee is, and has been for some time, laboring with this problem. Difficult as it is, in every aspect, we are determined to make a real contribution to its solution.

I want to call your attention now to the contributions being made by credit unions to small businessmen in need of credit.

I have always been grateful, and will always be grateful, for the opportunity which I was given to sponsor in the House the legislation which provided for the granting of charters to credit unions by the Federal Government. I have been grateful when the leaders of the credit-union movement in the United States turned to me to sponsor legislation, or to present their cause to this House.

A year or so ago we began to seek for facts about the credit facilities which were available to small business. In this work we were offered, now and then, suggestions by representatives of small business. And one of the suggestions which came to us was that credit unions might provide us with a pattern which could be used to develop a credit facility for small business. Some of the leaders of the credit unions then offered to assist us, to assist us without cost to us, and without any reward for themselves. Thus I was interested in the story of Sterling, Colo.

I wish that every Member of this House could get a copy of the credit union magazine, the Bridge, for April, and would then find the time to read the first article published in this issue, the article entitled "Setting Up Small Business." The story is the story of the assistance given by the community-credit union in Sterling, Colo., to the small businessmen of that city.

"Up one street and down another in Sterling," the writer reports, "you see small businessmen who either got into business, or expanded their business, or

kept their business through bad times, thanks to the Sterling community credit union."

On another page of the magazine you will find a map of the city of Sterling. Circles are drawn along the streets on this map to present graphically the picture story of the businessmen and the businesses that have been helped by the credit union. It will not be possible to reproduce this map in the RECORD, but I am going to ask that the article be placed in the RECORD at the close of my remarks. And I hope that it will be read and discussed widely.

The story of Sterling is one of the most interesting stories of credit unions and their work. But we have learned, as we have sought for information, that many scores of credit unions throughout the country have been assisting some of their members who are small businessmen. Perhaps we have begun to find one of several ways to do a big job.

Mr. Speaker, within a few weeks now there will be organized in four counties in Michigan a countywide credit union made up of the retail gasoline dealers in those four counties. The project has been developed and has been put on paper. The officials of the credit unions will meet in a week or so and will approve the final articles of incorporation and then will ask for a charter from the State of Michigan. The leaders of the Michigan Credit Union League have given of their time and all of their facilities to aid these small businessmen. The operation is a pilot-plant operation. Everyone interested is working together, contributing to each other from what they have. They want to know whether the credit-union road is one of the good credit roads for small businessmen to take.

I want to refer to one fact as I present this information to the House. The accomplishment of the community credit union in Sterling, Colo., is due, in some part, at least, to the work of H. Vance Austin. I assume that some of you will know Mr. Austin. You will be glad to know that he is now the managing director of the Credit Union National Association at Madison, Wis. When my good friend, Prof. H. B. Yates, a good man and a great man from Texas, resigned as managing director of CUNA, a few months ago, Mr. Austin was elected to succeed him. I know that Professor Yates was happy to turn the responsibilities of that office over to his friend, Mr. Austin.

I have wanted to pay tribute to Mr. Yates, and this is an opportunity to do so. He retired from the most important position in CUNA because his health would not permit him to continue in the job. He retired from the teaching profession some years ago, and as he retired he carried with him a tremendous asset of thousands of friends. He did most of the labor in building one of the finest credit unions in Texas, a credit union of teachers. He contributed much to the development of the national organization of credit unions. I am confident he established a record in CUNA which will become an example for his successors. And I know that he had complete confidence that Mr. Austin would justify the confidence Professor Yates had in him.

"SETTING UP SMALL BUSINESSES—THE COMMUNITY CREDIT UNION IN STERLING, COLO., HAS HELPED START A LOT OF MEMBERS IN BUSINESS FOR THEMSELVES, AND BACKED UP OTHERS WHO NEEDED MONEY FOR EXPANSION

"Mr. Average Small Business Man in Sterling, Colo., probably owes his business to the community credit union.

"Wilfrid Foxhaven does; he runs a gas transport. Pete Hoppol does; he operates a service station. Wayne Rossen does; he runs an elevator. Elbert Coats does; he's an auto specialist.

"Up one street and down another in Sterling you see small businessmen who either got in business, or expanded their business, or kept their business through bad times, thanks to the Sterling Community Federal Credit Union.

"Last year alone, with loan volume nearly \$1 million, the Sterling Credit Union made 87 loans for investments in business ventures. These business loans totaled \$210,821. In the past 10 years the credit union's business loans probably totaled more than \$1 million.

"Some of these small businessmen got their credit union loans after being rejected by the banks. Others have always made a practice of going to the credit union first.

"Most of the business loans run around \$2,000 to \$4,000. But they run as low as \$400 and as high as \$33,000. Only once has a cosigner had to pay off on a business loan made through the credit union.

"This liberal mixture of small business loans helps make the Sterling Credit Union a thriving enterprise. For the past 5 years the directors have declared a 4 percent dividend on shares and for the past 2 years a 10 percent interest refund.

"In Sterling's case the power that turns credit union capital into small business finance comes from an aggressive credit committee. It meets two, maybe three, times a week and is 'on call' constantly.

"A Bridge reporter interviewed some small businessmen financed by the credit union. This is what they said:

"SET UP FEED GRINDER

"James K. (Jim) Lindsey has never borrowed a dollar from a bank, but he owes his business to credit union loans. He's a custom feed grinder, preparing cattle feed and mixing molasses with the native grains which provide Logan County a steady source of income.

"In 1948 Lindsey moved into Sterling with a feed-grinding gang from Kaw Dehydrating Co. in Topeka, Kans. That winter and the next he worked in Sterling, returning to Topeka in the summers. In the winter of 1950 he decided against moving any more. His son was nearing school age, and Lindsey didn't want to be shuttling the boy in and out of school.

"He joined the credit union, his first membership in such an organization, and in the spring of 1950 got a \$4,400 loan to buy some used equipment. He started with a 24-inch grinder and little more save plenty of know-how. In the 7 years since he has borrowed another \$10,000 and now has a 36-inch grinder, a molasses truck and a fork truck.

"Lindsey's work takes ironman endurance. The feed-grinding season is during the winter, when cattle must be fed prepared feeds because snow and ice cover the natural feed. Lindsey either heads a 3-man crew in the fields or works 3 men. This winter he had to take time out and give his health some overdue care, but his credit union-financed grinder has stayed busy.

"HAMBURGERS AND MALTS

"Mr. and Mrs. Charles Nelson don't have to take the abuse from weather that Jim Lindsey does, but they work long hours the year around in their malt shop. It's a clean, tidy hamburger and frozen-cream stand about a block from a public school and less than a half block from the credit union office.

"Charlie Nelson's membership in the Sterling credit union goes back to 1938 when he was a school custodian. He never had done anything but odd jobs until a couple of years ago when he opened a cafe at Holyoke, a small town near Sterling. Then in July 1956 he had a chance to buy the complete stock in the malt shop for \$400. The credit union furnished the cash.

"Each day at noon the Nelsons are snowed under. It takes the Nelsons and 3 or 4 high school girls to handle the rush of hamburger and malt orders. The hours are long and the work continues, but Charles Nelson supports 6 people off the malt shop which the credit union helped him buy.

"A WELDING BUSINESS

"Rankin Thomas, 53, and his son, Lee Wood, 28, may be well on their way to dominating the important machine shop business in Sterling. Their Palco Welding Works caters to oil business. 'We work the oil business pretty good,' Lee Wood says, 'and we treat the boys good. The steel strike in 1955 pretty near got us, but Mr. Poole carried us. We couldn't make our payments.'

"Lee Wood arrived in Sterling from Palco, Kans., March 21, 1954, and worked as a welder, a trade he had learned from his dad. Lee traded in his car for his first welding truck, and Palco Welding Works was formed soon after.

"In December 1954, Lee got a \$300 credit union loan to make a downpayment on a house. Then he borrowed \$4,800 to buy another truck and complete welding rig.

"Now Palco Welding Works has 4 trucks and 5 welders. The father-son team owns its building, has about \$35,000 invested in machinery and is looking for the long, steady haul which will help them pay back the credit union. Lee Wood puts it, 'To me the credit union is run by a bunch of honest people. They care what happens to you.'

"Mrs. Ila Strunk's work tools are scissors and hair dryers instead of blow torches and wire pliers. She operates one of Sterling's largest beauty shops in

the same location where has been 21 years. When the Bridge reporter visited her she had just a week ago installed five new hair dryers. A \$1,200 credit union loan paid for them.

"Mrs. Strunk and her husband joined the credit union in 1947. Since then she has borrowed a total of \$2,330 to keep her 4-booth shop among the town's best. It gives Charlie Poole particular pleasure to OK Mrs. Strunk's loan applications because she graduated from Sterling High School under him when he was high school principal and before he entered credit union work.

"EXPANDING A MOTOR COURT

"William (Bill) Venohr runs the Plaza Motor Courts directly across the street from the credit union office. The Bridge reporter called on him in February, the slowest month of the year for Venohr's 24-unit court. He carried the smell of fresh paint from his workshop where he was tending to midwinter maintenance.

"Bill Venohr was born and raised in Watlersdorf, Germany. His father was a member of the village Raiffeisen Verein (society), the forerunner of the credit union. Young Venohr came to this country and became a livestock buyer for Armour & Co. That work eventually settled him in Sterling, where in 1950 he entered the motel business.

" 'Sterling is a good resting place,' Venohr explains. A credit union loan didn't put him in the motel business, but an \$18,000 loan from the credit union helped him consolidate some debts and begin a remodeling program which has made his motel one of the finest on U.S. Highway 138.

"Those five striving businesses show why the Sterling Credit Union holds such prestige in its community. Small businessmen have found it a source of dependable and convenient credit.

"The Sterling Community Federal Credit Union was chartered July 21, 1938, with \$90 assets. Originally the credit union was suggested for the First Methodist Church, but the then pastor disliked the suggested and blunted that effort. The credit union originated as a cooperative enterprise, but was soon changed to a community type. As such it serves virtually all of Logan County, where approximately 25,000 people live in an area just larger than the State of Delaware. Any Logan County citizen is eligible for membership.

"The credit union's membership reached 2,431 on December 31, 1956. Members' savings stood at \$1,239,841.18 on the same date—another steadily climbing figure. Last year the average loan, including loans for all purposes, was \$842.45 and an average shareholding was \$510.

"OIL ADDS TO GROWTH

"In number of loans made and amounts loaned, however, the credit union has had a brief spurt and is now leveling off. Oil, with its multiple economic blessings and problems, hit Logan County in a commercial way in 1952. Oilworkers, eager for local credit, swarmed into town and the credit union started answering their needs.

"One big loan item in the early 1950's was house trailers. Also, new houses for the newly prosperous, real estate money for investors and home improvements for the established. Credit union loan volume jumped from \$889,949.25 in 1952 to \$1,021,500.36 in 1953 and to an all-time high of \$1,022,885.81 in 1954. Total income, total expenses and net income kept pace with the growth.

"TRAILERS WERE TROUBLE

"Sterling's sudden spurt has slowed now, and the credit union has simmered down somewhat. Its loan volume last year for instance, was \$994,937.30, or about \$25,000 below the record 1954. Of the money loaned last year \$680,075.91 was to members on 830 applications, \$219,500 was to other credit unions and \$375,000 was invested in savings and loan associations.

"Several things caused the slackening-up in loan volume, treasurer-manager Poole says. 'For one thing we began watching the loans a little closer. We got hurt on a few of those trailer house loans. We would lend a guy money on a trailer and he'd make one payment. The next month we would get a letter from him in Casper, Wyo., or somewhere else. For another thing the banks began liberalizing their loan policy. A new industrial bank was just starting, and they got some of our customers. Also the oil boom slowed down a bit, and crops didn't come in too well.'

"Despite the oil development, Logan County was and still is principally an agricultural area. Its big money crops in order of total value are wheat, sugar beets, barley, corn, alfalfa, field beans, oats, sorghums, millets, and wild hay.

"Stock feeding pumps money steadily into the county and city economy. Cattle feeding is estimated to be a \$20 million annual enterprise, with some 80,000 head fattened annually in feed lots. With 623,761 acres of grazing land and 31,281 head of range cattle, Logan County is Colorado's second largest livestock producer.

"By official count Sterling's 1950 population was 7,538. The 1952 city directory put the figure at 9,652, and a 1955 estimate was 12,500. Bank deposits, building permits, postal receipts and retail sales have shown similar gains.

"The credit union not only kept pace with the county's growth, but actually anticipated and preceded it. From 1938 to 1948 the credit union did business from a small downtown location. After the building owner gave notice that she intended to remodel the building and raise the rent considerably, the credit union sacrificed its downtown location for more room and a home of its own. Charlie Poole, Fidele Guenzi, and Louie Rieke, three longtime members, bought a plot of land about eight blocks from the business center and constructed a small masonry building for the credit union home. The credit union rents its space, a central office with handy counter and ample room for the desks of Poole, an assistant treasurer, and two secretaries, plus a directors' conference room.

"IT'S CONVENIENT

"As a convenient place to do business, the Sterling Community Federal Credit Union is a model. About 95 percent of its business is done across the counter, with the other 5 percent by mail. Office hours are 9 to 5:30 daily and 9 to noon Saturday. On the average day, between 60 and 75 persons will come in to make a share deposit, a loan payment, or both. In its 19-year history the credit union has made loans ranging from \$10 to \$33,000.

"There's only one Negro family in Sterling, and they are longtime credit-union members. There are a number of Spanish-American families, and many of them have credit union-financed homes or cars.

"TWO CREDIT COMMITTEES

"The board of directors has made some bylaw changes to keep pace with the credit-union's growth. For one, they rescinded a former rule which limited a man to serving two 2-year terms in succession in any one office. Too much talent and enthusiasm and willing work potential was lost as a result of that rule, they felt. Now Rieke, the credit committee chairman, is serving his third term. Interestingly, every member of the credit committee is a former chairman of that group, and the credit committee has alternate members who meet with the regular committee on call.

"Whether it's a farmer wanting to buy feed for his hogs or a businessman wanting to expand his firm, each loan applicant gets personal and confidential consideration. Either Treasurer-manager Poole or his assistant, Carl Waltz, meets with the applicant in the separate conference room. 'Especially for the new members,' Poole says, 'we try to dispel the idea that a credit union is just another lending agency. We point out the democratic fact that the credit union is owned by the members and that no man has more than one vote in its control. We don't find the 1 percent per month interest rate hard to explain, because we talk in terms of how much is the money going to cost the borrower. We will show him that we can lend him money cheaper than somebody else, or we'll show the borrower that he can get his money cheaper somewhere else if that is true.'

"WANTS HIGHER LIMIT

"Poole believes that the \$400 Federal limit on signature loans is outdated. He would have the limit raised to \$1,000. 'After all,' he argues, 'when you lend more, you're depending on the cosigner. If you can depend on him, you ought to be able to depend on the borrower.' Also, Poole believes that his credit union has lost some loans because of the 3-year repayment limit, and he would raise that limit to 5 years.

"Not only does the credit committee meet as often as necessary, with either Poole or Waltz meeting with them, but board of directors meetings are held subject to call. The Sterling Credit Union has no educational committee as such, but the board of directors takes that as part of its job.

"THE AUDITING PROBLEM"

"The weak link in our chain, and I don't think we're unusual,' Poole says, 'is our supervisory committee. Not that we don't have good members, but it is just impossible to get them to make an audit more often than quarterly. Oh, it might do some good to have one of the credit committee members move over to the supervisory committee, but we feel that our first job is to get the money back to the members, and that certainly is what our credit committee does.'

"No small part of the Sterling Credit Union's success is attributed to its advertising and educational program. Last year that took a \$1,645.58 bite out of the total expenses of \$29,749.73. Much of the advertising money went to local newspapers, radio, about \$50 per month to newspaper and \$300 per year on radio.

"The Sterling Credit Union feels strongly about benefits gained from league and national association membership. They spent more than \$300 last year on material from CUNA Supply Cooperative, including copies of every release which applied to their problems.

"Last year the Sterling Credit Union had \$82,804.65 income, including \$63,288.14 interest on loans to members, \$11,904.17 on investments in savings and loan associations, \$5,783.38 on loans to other credit unions and \$1,828.96 on other income.

"One feature of the credit union which Poole likes to mention is its family membership. Some families run as high as 15 or 20 members, each with a savings account. And there are a couple of proud grandfathers who see that each grandchild gets a \$5 account the day he is born. 'You can't beat membership like that,' Poole boasts.

"The Sterling Community Federal Credit Union is a model of how well a credit union can serve a community's needs. In the process it has hung at least one record: It was the first Federal community-type credit union in the United States to reach the \$1 million mark in assets."

[From the Congressional Record (House), Mar. 13, 1959]

OPENING THE BANKERS' EYES TO CREDIT UNIONS

(Mr. Patman (at the request of Mr. Burdick) was given permission to extend his remarks at this point in the Record.)

Mr. PATMAN. Mr. Speaker, last week the American Bankers Association held its 56th Annual Savings and Mortgage Conference in New York.

The American Banker has reported that the bankers attending this conference "got an eye-opening report on one of their liveliest competitors, the credit unions." The eye-opening report in question was delivered by Dr. Rudolf Modley who told the bankers that credit unions now have assets amounting to \$4.3 billion and they have share holdings amounting to nearly \$4 billion.

These figures bring up some important comparisons, and they raise some important questions for the future of the commercial banking system of the country.

PAID-IN CAPITAL ABOUT EQUAL

First, consider this: The share holdings, of credit unions or what we would call "paid-in capital" in commercial banking, is now about the same as the paid-in capital of all member banks of the Federal Reserve System. On June 23 of last year the paid-in capital of all these banks amounted to only \$4.5 billion, or roughly one-half billion dollars more than the paid-in capital of the credit unions.

On that date the paid-in capital, plus notes and debentures of all insured commercial banks in the country, came to only \$5.3 billion. In the case of all insured commercial banks, I do not have a separation of the figures as between capital stock on the one hand and the notes and debentures on the other. But that is unimportant.

The contrasts in the ways which the credit unions and the commercial banks use their paid-in capital make the interesting points.

SEVENTY-SEVEN BILLION DOLLARS OF GOVERNMENT OBLIGATIONS ON CREATED MONEY

As has been noted, the total assets of the credit unions are only \$4.3 billion—only slightly more than their paid-in capital. Unlike the commercial banks, the credit unions do not create money. Credit unions have a certain amount of money

invested, by their members, and they can lend and invest no more than the members have put in. They can make loans to their members. They can invest in certain amounts of U.S. Government securities and in insured building and loan and savings and loans institutions.

The commercial banks, on the other hand, create money. As of June 23, 1958, the insured commercial banks, on their \$5.3 billion of paid-in capital, had acquired and were holding \$63.5 billion of interest-bearing obligations of the U.S. Government. These holdings of U.S. Government obligations alone amounted to about 12 times the amount of their paid-in capital.

In addition, these banks held at least \$13.7 billion of tax-exempt obligations of the States and subdivisions. This was the amount of such obligations which they held at the end of 1957, and such holdings have long been on the increase. It is probable that by midyear 1958 their holdings of these obligations were substantially larger.

All of the assets of the insured commercial banks on June 23 came to \$225.9 billion. These assets included, in addition to the securities I have mentioned, \$95 billion in loans outstanding to business, consumers, security dealers, and so on, and included about \$43 billion in cash.

On the liability side of the account, insured commercial banks had, of course, some earnings on their paid-in capital which had not been distributed to the stockholders. In other words, there are earnings from previous years on the created money which by one method of comparison should be counted as invested capital. These banks had on June 23, \$3.7 billion of undivided profits; \$8.4 billion of surplus, and about \$0.5 billion in reserves which, when added to capital, makes a total capital account of \$17.9 billion. If we compare their total capital account to their holdings of U.S. Government obligations, we find that their holdings of these obligations amount to $3\frac{1}{2}$ times their total capital account.

PRIVILEGES TO BANKS INTENDED FOR SERVICES TO LOCAL COMMUNITIES

I have some serious reservations about allowing the commercial banks to create money—which is done on a delegation of the power of the U.S. Government—to acquire U.S. Government securities and tax-exempt securities of the State and local governments. If it is wise to allow the commercial banks to do this, should the law be amended to permit the credit unions to operate on a fractional-reserve system and create money to buy and hold these kinds of securities?

The original idea which justified all the privileges extended commercial banking—the privilege of chartering, with limited monopoly protection, the privilege of creating money on the credit of the United States, and so on—was that the commercial banks would use these in service to the local communities. It seems to me the commercial bankers are getting too far away from their proper function—serving the credit needs of their local communities when they become simply holders of securities of the United States and tax-exempt securities of the State and local communities.

Credit union statistics, 1954-58

State	Credit unions	Members	Assets	State	Credit unions	Members	Assets
Alabama:				Illinois:			
1958.....	248	142,359	\$58,531,684	1958.....	1,636	877,980	\$387,568,519
1957.....	223	128,286	49,597,281	1957.....	1,582	806,551	337,847,385
1956.....	212	120,218	41,056,238	1956.....	1,473	730,000	272,430,658
1955.....	181	97,667	31,254,141	1955.....	1,404	700,000	254,680,000
1954.....	154	84,700	25,050,600	1954.....	1,325	635,000	212,667,000
Alaska:				Indiana:			
1958.....	26	16,660	6,002,592	1958.....	451	243,032	109,146,714
1957.....	27	15,358	5,473,607	1957.....	451	238,919	102,570,890
1956.....	26	11,655	3,939,778	1956.....	439	260,702	90,859,714
1955.....	25	9,500	3,200,000	1955.....	437	221,600	82,109,000
1954.....	24	7,450	2,530,000	1954.....	450	250,550	60,600,575
Arizona:				Iowa:			
1958.....	136	73,325	28,753,868	1958.....	323	121,902	55,677,156
1957.....	120	58,572	20,310,316	1957.....	306	113,131	45,235,039
1956.....	118	50,391	15,358,282	1956.....	299	106,667	39,729,766
1955.....	97	37,007	11,013,082	1955.....	270	93,200	32,762,800
1954.....	72	25,300	7,658,700	1954.....	278	87,000	27,726,900
Arkansas:				Kansas:			
1958.....	130	50,161	8,065,461	1958.....	290	120,862	49,399,168
1957.....	102	27,323	6,487,651	1957.....	265	109,049	39,960,629
1956.....	88	20,153	4,292,092	1956.....	234	64,907	21,160,560
1955.....	83	18,700	3,493,000	1955.....	228	87,700	27,309,000
1954.....	69	18,600	3,526,000	1954.....	218	63,650	20,117,900
California:				Kentucky:			
1958.....	1,618	1,093,648	506,830,510	1958.....	192	77,278	30,991,006
1957.....	1,462	1,043,206	435,855,969	1957.....	186	72,573	26,848,027
1956.....	1,438	938,226	386,067,427	1956.....	183	78,897	26,644,064
1955.....	1,292	785,000	313,816,000	1955.....	177	67,000	18,770,000
1954.....	1,162	643,900	232,236,500	1954.....	167	64,000	15,895,800
Colorado:				Louisiana:			
1958.....	284	150,369	66,885,247	1958.....	376	179,159	58,282,363
1957.....	255	135,241	55,617,166	1957.....	360	157,566	49,448,054
1956.....	240	118,550	45,876,747	1956.....	366	154,342	49,448,054
1955.....	223	103,145	37,293,688	1955.....	355	133,000	37,154,000
1954.....	199	90,800	30,752,900	1954.....	325	106,500	32,417,900
Connecticut:				Maine:			
1958.....	395	248,431	113,372,226	1958.....	105	54,854	17,793,957
1957.....	436	247,018	106,223,667	1957.....	107	62,630	17,310,536
1956.....	382	227,619	90,325,004	1956.....	98	54,603	16,676,857
1955.....	357	205,785	78,384,268	1955.....	85	36,700	10,734,000
1954.....	339	211,500	72,542,600	1954.....	70	32,300	7,367,600
Delaware:				Maryland:			
1958.....	28	10,150	3,412,250	1958.....	180	123,666	36,736,289
1957.....	21	14,935	3,021,196	1957.....	161	107,119	28,222,358
1956.....	25	11,243	3,219,868	1956.....	162	101,582	24,089,653
1955.....	13	7,060	1,991,000	1955.....	153	92,400	21,776,000
1954.....	17	5,600	1,448,600	1954.....	136	76,900	15,329,200
District of Columbia:				Massachusetts:			
1958.....	175	206,526	60,040,832	1958.....	736	504,297	208,700,942
1957.....	160	191,611	58,653,064	1957.....	715	498,771	190,317,040
1956.....	171	181,192	53,902,539	1956.....	699	480,870	172,978,830
1955.....	164	173,923	45,424,208	1955.....	674	460,054	153,797,394
1954.....	154	166,800	39,690,200	1954.....	627	426,300	135,948,500
Florida:				Michigan:			
1958.....	500	268,391	99,668,463	1958.....	1,109	824,074	396,345,343
1957.....	487	229,942	80,941,297	1957.....	1,008	722,150	326,436,421
1956.....	439	236,070	81,255,328	1956.....	953	710,188	304,485,049
1955.....	410	177,000	43,140,413	1955.....	877	553,571	214,247,000
1954.....	393	134,500	40,888,800	1954.....	811	480,700	176,634,100
Georgia:				Minnesota:			
1958.....	296	175,341	53,187,971	1958.....	457	212,114	110,823,668
1957.....	293	152,178	48,747,551	1957.....	445	205,533	96,393,755
1956.....	280	147,831	60,253,204	1956.....	420	180,170	86,379,350
1955.....	249	125,500	32,661,000	1955.....	398	160,700	70,696,000
1954.....	235	101,000	25,121,200	1954.....	387	126,100	50,609,900
Hawaii:				Mississippi:			
1958.....	157	94,005	58,095,225	1958.....	101	47,456	14,157,257
1957.....	148	88,223	52,967,139	1957.....	103	42,717	12,732,103
1956.....	143	82,906	48,202,563	1956.....	86	32,609	8,893,847
1955.....	140	77,396	43,140,413	1955.....	81	29,741	7,290,000
1954.....	133	69,751	36,604,975	1954.....	84	28,700	5,963,800
Idaho:				Missouri:			
1958.....	123	31,335	10,244,117	1958.....	577	283,558	119,112,865
1957.....	104	27,122	8,316,226	1957.....	571	266,323	107,736,249
1956.....	101	20,753	5,476,434	1956.....	550	294,054	115,606,627
1955.....	87	18,135	4,680,504	1955.....	529	196,143	66,376,000
1954.....	74	16,160	3,716,900	1954.....	508	180,100	56,744,300

Credit union statistics, 1954-58—Continued

State	Credit unions	Members	Assets	State	Credit unions	Members	Assets
Montana:				Pennsylvania—Con.			
1958.....	140	34,784	\$10,227,037	1955.....	909	461,400	\$122,498,000
1957.....	142	32,447	9,391,470	1954.....	838	449,700	111,766,900
1956.....	135	25,444	7,329,376	Rhode Island:			
1955.....	98	17,110	4,904,000	1958.....	105	111,489	\$63,855,122
1954.....	89	18,750	4,542,200	1957.....	97	101,796	54,699,796
Nebraska:				1956.....	97	93,062	49,390,124
1958.....	151	70,296	30,662,100	1955.....	82	87,000	43,961,000
1957.....	148	65,293	26,415,030	1954.....	77	82,300	39,038,900
1956.....	145	56,525	18,279,534	South Carolina:			
1955.....	140	55,925	18,923,403	1958.....	80	36,728	9,234,517
1954.....	135	50,600	15,471,600	1957.....	78	34,664	8,340,089
Nevada:				1956.....	69	30,229	7,815,423
1958.....	50	15,802	7,182,326	1955.....	69	31,900	7,143,000
1957.....	42	15,785	5,747,323	1954.....	58	24,000	5,044,400
1956.....	42	20,842	5,842,676	South Dakota:			
1955.....	39	11,800	2,998,000	1958.....	80	25,256	9,085,496
1954.....	36	9,600	2,467,700	1957.....	77	21,230	7,391,850
New Hampshire:				1956.....	70	17,908	5,982,474
1958.....	49	28,956	11,559,844	1955.....	70	14,842	4,496,866
1957.....	46	23,906	8,839,506	1954.....	69	11,525	3,344,400
1956.....	43	23,484	8,609,874	Tennessee:			
1955.....	41	18,304	6,739,074	1958.....	323	181,614	69,086,255
1954.....	44	30,000	6,238,000	1957.....	310	160,267	62,562,810
New Jersey:				1956.....	293	154,929	58,570,058
1958.....	505	294,977	100,951,408	1955.....	268	122,600	40,055,000
1957.....	506	273,127	93,473,526	1954.....	250	122,100	38,946,500
1956.....	497	254,502	76,197,350	Texas:			
1955.....	475	219,000	59,700,000	1958.....	1,091	614,251	252,574,598
1954.....	451	210,610	52,431,500	1957.....	1,031	542,503	215,676,206
New Mexico:				1956.....	998	501,386	200,474,698
1958.....	100	37,751	13,656,119	1955.....	917	424,000	148,584,000
1957.....	95	34,341	12,323,745	1954.....	851	362,200	115,257,900
1956.....	93	38,403	12,136,149	Utah:			
1955.....	78	24,479	6,437,000	1958.....	217	76,676	38,121,895
1954.....	70	18,200	3,798,700	1957.....	210	68,560	30,434,614
New York:				1956.....	200	58,865	22,352,314
1958.....	1,008	648,110	208,631,530	1955.....	145	47,886	18,121,307
1957.....	999	589,191	189,631,530	1954.....	138	41,150	14,165,100
1956.....	1,010	586,528	177,313,827	Vermont:			
1955.....	961	519,000	143,900,000	1958.....	64	13,714	3,154,528
1954.....	955	517,500	118,070,500	1957.....	63	13,484	2,825,547
North Carolina:				1956.....	59	12,405	2,300,970
1958.....	239	101,373	31,317,393	1955.....	59	10,645	1,696,000
1957.....	235	97,258	27,912,942	1954.....	55	9,800	1,425,000
1956.....	233	98,068	24,082,462	Virginia:			
1955.....	229	81,350	19,515,000	1958.....	247	130,393	37,677,749
1954.....	269	89,000	23,512,900	1957.....	227	122,845	29,750,067
North Dakota:				1956.....	220	99,878	24,348,062
1958.....	114	28,110	12,532,035	1955.....	207	87,420	24,348,062
1957.....	113	27,590	10,865,362	1954.....	191	67,500	14,036,700
1956.....	109	25,324	8,990,265	Washington:			
1955.....	112	26,500	8,822,000	1958.....	299	214,244	89,765,823
1954.....	106	23,200	7,555,700	1957.....	290	190,874	72,612,275
Ohio:				1956.....	273	157,640	57,148,673
1958.....	1,103	585,000	241,000,000	1955.....	259	134,492	45,718,483
1957.....	1,045	563,606	220,868,362	1954.....	240	115,282	35,015,861
1956.....	1,005	551,150	210,573,713	West Virginia:			
1955.....	926	483,000	162,414,000	1958.....	105	37,041	12,620,422
1954.....	872	431,400	143,419,300	1957.....	93	33,674	10,930,514
Oklahoma:				1956.....	90	33,349	9,559,441
1958.....	150	109,574	44,855,629	1955.....	92	29,157	8,035,000
1957.....	134	86,364	36,819,833	1954.....	82	26,350	6,604,700
1956.....	138	94,036	29,409,263	Wisconsin:			
1955.....	128	82,259	24,622,374	1958.....	733	330,415	173,788,831
1954.....	107	61,600	19,515,500	1957.....	716	315,531	154,033,282
Oregon:				1956.....	702	313,334	142,655,303
1958.....	188	93,088	40,665,109	1955.....	702	293,300	120,655,000
1957.....	167	80,747	32,140,531	1954.....	674	267,571	102,695,665
1956.....	155	69,925	25,528,462	Wyoming:			
1955.....	142	59,500	19,656,700	1958.....	47	13,885	5,610,383
1954.....	121	50,400	15,423,600	1957.....	41	13,026	4,788,720
Pennsylvania:				1956.....	39	11,795	3,892,907
1958.....	1,116	574,853	195,930,792	1955.....	39	9,500	2,582,000
1957.....	1,024	543,796	173,076,725	1954.....	39	7,775	1,842,000
1956.....	961	502,529	146,403,469				

MEMBERS WHO WANT TO BE RECORDED AS FAVORING CREDIT UNION BILL

Hon. Francis E. Walter, 15th District, Pennsylvania
Hon. Cleveland M. Bailey, Third District, West Virginia
Hon. John Blatnik, Eighth District, Minnesota
Hon. Charles S. Gubser, Tenth District, California
Hon. James Roosevelt, Twenty-sixth District, California
Hon. H. Dent, Twenty-first District, Pennsylvania
Hon. Harris B. McDowell, Jr. (at large), Delaware
Hon. James Burke, Thirteenth District, Massachusetts
Hon. Gerald Flynn, First District, Wisconsin
Hon. Seymour Halpern, Fourth District, New York
Hon. Denver D. Hargis, Third District, Kansas
Hon. Ralph J. Rivers (at large), Alaska

Mr. PATMAN. Our first witness this morning is Congressman Abraham J. Multer of the 13th District of New York.

Mr. Multer, we are glad to have you and you may proceed in your own way.

STATEMENT OF HON. ABRAHAM J. MULTER, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK

Mr. MULTER. Thank you, Mr. Chairman and members of the committee. I am pleased with the opportunity of having the privilege of appearing before you and presenting my views to you on this important legislation.

If it is agreeable to the committee I will ask you to make a part of your record my brief statement, and I will not take the time to read it.

Mr. PATMAN. Without objection, it is so ordered.

Mr. MULTER. I think we can expedite matters by briefly telling you what is in it and then submitting myself to questions as to bills before the committee.

Mr. PATMAN. That will be perfectly all right.

Mr. MULTER. Mr. Chairman and members of the committee, I appreciate the opportunity afforded to me to attend here today and submit to you my views in support of the enactment of H.R. 3674, a bill to amend the Federal Credit Union Act.

It is quite fitting that this act should be reviewed and amended so as to modernize it and bring it up to date at this time. A brief review of the history of credit unions is both appropriate and interesting.

The entire year of 1959 has been designated anniversary year by the international credit union movement, which is now serving more than 121½ million people through the United States and many other parts of the world. I would like to call attention to the credit union movement's remarkable record of achievements during the past half century. By fulfilling the twofold objectives of teaching people the real meaning of thrift and by making available a low-cost source of personal credit, it has helped people of all areas of the world, and of all races, colors, and creeds, to help themselves to a greater share of financial independence and economic security.

As one part of this year's anniversary year celebration, the credit union movement is celebrating the 25th anniversary of the first Federal Credit Union Act, which was enacted on June 26, 1934. This act has enabled millions of Americans, from Alaska to the Canal Zone and

from Maine to Hawaii, to join together in credit unions to save and to provide each other with a constant and convenient source of low-cost credit.

One of the most amazing facts about this activity is that the Bureau of Federal Credit Unions, which charters and supervises the Federal credit unions, is completely self-supporting, obtaining its income from supervision fees paid by the Federal credit unions.

The other anniversaries that will be celebrated by the credit union movement during 1959 are the 50th anniversary of the first credit union in the United States, the 50th anniversary of the first State credit union law in the United States, and the 25th birthday of the Credit Union National Association (CUNA), the nonprofit voluntary organization of the more than 25,000 credit unions operating in the world today.

The first credit union in the United States was organized in Manchester, N.H., in 1909, by a Canadian legislative reporter, Alphonse Desjardins, who brought the credit union idea to this continent in 1900 when he organized a credit union in Levis, Quebec. Desjardins had picked up the idea from Europe where it was first developed by a German, Friedrich Wilhelm Raiffeisen, and carried throughout Europe by people of other nationalities. This international flavor of the credit union idea is being furthered today by CUNA, as it promotes the development of credit unions and the democratic idea of self-help through cooperation throughout such underdeveloped areas as the Fiji Islands, southeast Asia, Africa, and South America. This work has made many friends for the United States in these areas, and has given some of these people their first teachings in our democratic way of life.

The first credit union law in the United States was passed in the State of Massachusetts in 1909, largely because of the efforts of two great Americans, Pierre Jay, then banking commissioner of Massachusetts, and Edward A. Filene, a prominent Boston merchant and philanthropist, who first saw in credit unions a method by which people of small means could gain a larger share of control over their own economic destinies.

Today half of the credit unions in this country are federally chartered. There are almost 10,000 of them and they serve more than 5 million of our citizens.

Operating on the theory that an individual's most valuable asset is his character, these Federal credit unions have marked up an outstanding record in the field of personal finance. During the past 25 years, less than one-fifth of 1 percent of the millions of dollars they have loaned has not been repaid by their members—a record that any financial institution would be proud of.

Although the Federal Credit Union Act has proven to be a remarkably effective instrument during the 25 years of its existence, it has not kept pace in many respects with the changes in our economy and the evolving needs of credit unions and their members which have arisen during this period. In view of that situation our distinguished colleague from Montana, Mr. Anderson, introduced H.R. 12819 in the last Congress. I introduced H.R. 12877 and H.R. 13871 in the last Congress.

These bills have received wide publicity resulting in much attention being given to this important subject matter.

As a result, both Representative Anderson and I have received considerable correspondence with reference thereto.

During the recess and since the convening of this Congress, we have had the opportunity to meet and consult with many persons and association representatives familiar with the operations of credit unions.

After many months of independent research and close consultation, on January 29, 1959, I introduced a bill—H.R. 3674—designed to modernize and recodify the act. Congressman Anderson of Montana, who has long been a student of credit unions, on the same day, introduced an identical bill—H.R. 3675. Both bills are being supported by the Credit Union National Association and by credit unions throughout the country.

I am pleased to set forth here a copy of the letter sent to me by the Credit Union National Association, Inc., the original of which was sent to our distinguished chairman of the Banking and Currency Committee, Mr. Spence, which reads as follows:

CREDIT UNION NATIONAL ASSOCIATION, INC.,
Madison, Wis., February 19, 1959.

HON. BRENT SPENCE,
Chairman, House Banking and Currency Committee,
House Office Building, Washington, D.C.

DEAR MR. SPENCE: On January 29, bills were introduced by Congressman Multer (H.R. 3674) and Congressman Anderson (H.R. 3675) which are identical in all respects and propose a number of amendments designed to modernize and recodify the Federal Credit Union Act. These bills are supported by the Credit Union National Association, which represents the organized credit union movement.

As you know, we are this year celebrating the 25th anniversary of passage of the Federal Credit Union Act. Although credit unions have made a remarkable record of achievement, the law under which they function has not undergone a major revision during this time. The amendments contained in the Multer and Anderson bills are designed to allow Federal credit unions to serve the evolving thrift and credit needs of their more than 5 million members in a more effective manner.

Therefore, on behalf of the approximately 9,000 Federal credit unions and their members, we respectfully request that your committee consider these bills at the earliest possible convenience. We also request the opportunity to submit a statement and appear before your committee at that time. If possible, we would appreciate your advising us as to the approximate date when the Banking and Currency Committee could consider the proposed legislation.

We regret that we did not have the opportunity to honor you in person at our congressional dinner in Washington on February 4, as 1 of the 28 present Members of Congress who were instrumental in passing the original Federal Credit Union Act in 1934. However, we are grateful for your continuing interest in and contribution to the credit union movement through the years.

Sincerely yours,

H. VANCE AUSTIN,
Managing Director.

Other bills identical to H.R. 3674 and H.R. 3675 have been introduced as follows:

H.R. 5939, on March 23, 1959, by Mr. Powell of New York
H.R. 5958, on March 23, 1959, by Mr. Johnson of Colorado
H.R. 5988, on March 24, 1959, by Mr. Rodino of New Jersey
H.R. 6122, on April 7, 1959, by Mr. Burdick of North Dakota
H.R. 6161, on April 8, 1959, by Mr. Flynn of Wisconsin

H.R. 6241, on April 10, 1959, by Mr. Farbstein of New York
H.R. 6755, on April 28, 1959, by Mr. Miller of California

H.R. 5777 was introduced by Mr. Patman on March 18, 1959, and two bills identical to that were introduced on April 15, 1959, by Mr. Anderson of Montana, H.R. 6407, and on May 6, 1959, by Mr. Roosevelt of California, H.R. 6927.

With one minor exception, the Patman bill seeks to accomplish exactly the same amendments as sought by the Multer-Anderson bills. The only difference in substance between the two bills is that the Multer-Anderson bills provide for a review by the Director of the Bureau of Federal Credit Unions of the expulsion of a credit union member if such a review is requested by the expelled member.

The form of the two bills is, however, vastly different. With all due modesty I daresay that the Multer-Anderson bills are good and proper bill draftsmanship and for that I give full credit to our legislative counsel. No one can deny that setting forth a law or a section of a law, together with the amendatory language, makes for clarity, promotes understanding of the purpose of the amendment, and eliminates possible confusion. After the enactment of a bill in the form of the Multer-Anderson bills, we will find the law and all the amendments thereto in one place. If we follow the form of the Patman bill it will be necessary for the lawyer, researcher, or student to go back to the original statute of 25 years ago and then search year by year for every amendment to that statute and then take the original statute and each of the amendatory statutes and compare them word by word with the instant statute to determine just what changes in the law have been effected.

If there was but a single change sought in the Credit Union Act it would not make too much difference whether we used the Patman form or the Multer-Anderson form. It makes a tremendous difference, however, when some 28 different changes or amendments are sought to be effected by the bills being considered. The changes sought by the Patman bill occupy 12½ pages. When these changes, plus the change sought by the Multer-Anderson bills, are placed in their proper context in the body of the Federal Credit Union Act, it runs to 32 pages.

In addition to the Members who indicated their approval of the Multer-Anderson bills, H.R. 3674 and H.R. 3675, a host of other Members of Congress have indicated to me orally their intention to support the Multer-Anderson bills. In addition, the following Members have indicated in writing their support of the Multer-Anderson bills, to wit: Mr. Anfuoso, of New York; Mr. Blatnik, of Minnesota; Mr. Buckley, of New York; Mr. Cohelan, of California; Mr. Harmon, of Indiana; Mr. Johnson of California; Mr. Madden, of Indiana; Mr. Miller, of California; Mr. Moorhead, of Pennsylvania; Mr. Morris, of Oklahoma; Mr. Moulder, of Missouri; Mr. Rivers, of Alaska; and Resident Commissioner Fernós-Isern.

A section-by-section analysis and summary of H.R. 3674 and H.R. 3675 appears in the appendix of the Congressional Record of April 10, 1959, at pages A2947 to A2953. I am not repeating that analysis here because a comparative summary of what is accomplished by the Multer-Anderson bills and the Patman bill has already been submitted to this committee as a part of the statement made on

May 11, 1959, by Mr. Julius Stone, first vice president of the Credit Union National Association and chairman of its legal and legislative committee.

There are credit unions in every one of the 49 States of the United States and in the Commonwealth of Puerto Rico and in the Territory of Hawaii which is now a de facto State. In most of these States the credit unions are organized into State leagues. I do not know of a single objection to the enactment of the Multer-Anderson bills. As a matter of fact, most of the credit unions and their leagues and associations, including the national association, have indicated their approval of the Multer-Anderson bills.

I urge this committee to favorably report H.R. 3674.

Thank you again for the privilege of appearing before you and expressing my views on this important legislation.

In my statement I briefly review the history of the credit union movement. I am quite sure the committee is thoroughly familiar with that at this time. If my recollection serves me correctly the chairman of this subcommittee, Mr. Patman, was a Member of the Congress when the first Federal Credit Union Act was enacted some 25 years ago.

The movement has gone a long way since that time, and we will find, in every State of the Union, and I think in every Territory and possession of the Union, one or more credit unions. They are all doing a fine and an important service in their communities.

The bills that are before you for consideration, seeking to amend the original Federal Credit Union Act are very much alike in substance. The Patman bill, H.R. 5777, and two other bills that are identical in form to that, seek to accomplish by amendment all of the things, except one, that are in the Multer bill, which is H.R. 3674, and the Anderson bill, H.R. 3675, both of which were introduced early in January.

There are seven other bills introduced by other members, which are identical with the Multer-Anderson bills. They all seek to accomplish in substance the same purpose.

So far as I know, no one thus far has indicated any opposition to any of these amendments.

One amendment that is in the Multer-Anderson bills, and not in the Patman bill, I believe also will withstand any opposition if any should develop. It merely gives the Director of the Federal Credit Union Bureau the right to review an expulsion of a member by a credit union in the event that member seeks review. I think it is almost self-evident that there should be some such review where a credit union, which is in effect a membership association, should undertake to expel one of its members. It is obviously a blot on the name and character of the individual concerned, and if he feels aggrieved he should have a right to have a review by an officer independent of the credit unions, the gentleman being the supervisory and chartering authority under existing law, and under the law as sought to be amended by the bills before you.

The important changes sought to be accomplished, other than mere form are increasing the lending authority of the credit unions, giving them authority to operate more smoothly, permitting them to have paid employees under certain circumstances—really not paid

employees, but to pay for certain services that are necessary to the smooth operation of a credit union—setting up a so-called central credit union, and let me indicate that that is not new in the credit union movement. Many States have already done just that. They have set up central credit unions within each State, which central credit unions are of assistance to the credit unions organized under State law, as well as to the officers and committeemen who operate, and the directors, who operate the credit unions. The central credit union is a source of credit to officers and directors of credit unions who could not qualify under the law to borrow from their own credit union, because that would involve self-dealing. So they have set up these central credit unions within the States to make credit available to those men if and when they need it, and the provision in the Patman and Multer bills would do the same thing on the Federal level.

In other words, what these bills do is to amplify the theory of a dual system, just as we have a dual system of savings banks and commercial banks, and of savings and loan associations, for 25 years now we have had a dual system of credit unions and the amendments sought by these bills will amplify, clarify, and strengthen that dual system.

I would like to urge that the committee consider seriously enacting the Multer-Anderson bill, or that form, rather, as against the form of the Patman bill. I think it is much better that we have in one place the entire statute. After all, the basic statute was enacted 25 years ago the first time. There have been any number of amendments over the years, and the student or researcher, or the lawyer, who looks for the law today, must go back to the original statute and then follow it down year by year to determine what changes have been made.

If there was just a single amendment sought to be made to the law, then, of course, the Patman form would be very good. It wouldn't matter too much if there was just one more such amendment. But when we seek to make some 28 changes, as we do in both the bills, rather than requiring the researcher or the lawyer, or the legislator, for that matter, to take the original statute and then the amendatory statutes and read them together, it is much better form of draftsmanship and much better for the legislation itself, to have the whole act put in one place, as we do in the Multer-Anderson bills. Then we know that we can go to the 1959 statute, assuming it will be enacted this year, and find the whole law there with all of the changes which have been accomplished by this Congress.

That, Mr. Chairman, is my brief summary of the statement which I have filed, and I would be very happy to answer any questions.

Mr. PATMAN. Are there any questions, gentlemen?

Thank you very kindly, Mr. Multer.

Mr. MULTER. Thank you.

Mr. PATMAN. The next witness will be Mr. Riley.

We are glad to have you, Mr. Riley. You may identify yourself and proceed with your testimony.

**STATEMENT OF GEORGE RILEY, LEGISLATIVE REPRESENTATIVE,
AFL-CIO**

Mr. RILEY. Thank you, sir.

My name is George D. Riley, legislative representative, AFL-CIO.

Mr. Chairman and gentlemen, we welcome this opportunity to support certain bills to amend the Federal Credit Union Act. These bills are H.R. 5777, introduced by Mr. Patman, H.R. 3674, introduced by Mr. Multer, and H.R. 3675, introduced by Mr. Anderson. All would make virtually the same substantive amendments. In addition, the latter two identical bills would introduce several technical and clarifying changes in the language of the act, through consecutive rewriting throughout.

Many of the amendments contained in these bills were discussed before your committee last session during consideration of the comprehensive financial institutions bill of 1957. We are not prepared to speak on technical points of the proposed changes in the present bills, but we do support strengthening and improvement of Federal credit unions. On specific details, we feel that the testimony of the Credit Union National Association, which is the direct representative of operating credit unions and which has broad knowledge of operating experience, should be given primary weight.

Our position as a labor organization is that we favor all amendments that strengthen credit unions, enable them to give better service to their membership, increase the safety of funds they administer, and otherwise to enable credit unions to operate more effectively.

The credit union is a unique financial institution specifically tailored to the saving and credit needs of working people with moderate and low incomes. The great majority of the groups that form credit unions are employee groups, the common bond of association being that of the place of employment. Millions of trade union members also are members of employee credit unions, and, in addition, trade union sponsorship has been an active ingredient in the formation of many of these credit organizations. There are, in fact, 464 credit unions directly sponsored by AFL-CIO affiliates throughout North America.

LOW INTEREST VERSUS HIDDEN CHARGES

Low interest credit union loans are the small earner's principal alternative to the high interest rate funds eagerly offered by small loan companies and to the frequently deceptive and expensive charges hidden in installment sales contracts. In addition to providing personal credit, credit unions foster habits of thrift among their members and render valuable assistance in counseling on personal financial problems.

Such organizations are a strong demonstration of the beneficial results to be obtained on the principle of mutual self-help. As af-

firmed by an AFL-CIO policy resolution adopted at the 1955 convention:

One of the most useful types of cooperatives is the credit union through which a group pools its own savings and then lends funds to its own members at a low interest rate. In recent years credit unions have grown spectacularly and hundreds of AFL-CIO unions have established them, thereby saving millions of dollars which otherwise would have been paid out to small loan companies which charge extortionate high interest rates. Besides, the credit unions earn a substantial return for their members in the form of interest paid on their savings.

LONG TERMS

The proposed amendments make two important changes in individual loan terms, which we believe will be very beneficial to individual members. One would extend the statutory loan maturity limit from the present 3 years to a maximum of 5 years. The other would increase the loan amount obtainable on a signature basis, from the present \$400 to a maximum of \$1,000. The present maximums have been unchanged since 1949 and are clearly obsolete.

The longer loan maturity limit will enable some members who might not otherwise be able to do so, to undertake home modernization projects and it will enable others to carry through more realistic plans for paying off consolidated debts.

A higher signature loan limit is clearly needed in view of today's near record high prices of goods and services. The sums people may have to muster to meet sudden expenses of illness, or to pay for house furnishings or automobiles have increased.

State small loan laws, it may be noted, have been progressively raising the maximums on loan amounts, particularly within the last 2 or 3 years. Originally, most States set a maximum of \$300 on small loans. But today, of the 39 operative small loan laws in effect, 28 have limits which range up to \$5,000, with the usual limit being between \$500 and \$1,500. Thirteen provide at least a \$1,000 maximum.

Beyond the convenience and even necessity of longer loan limits and higher signature maximums, credit union experience has indicated that more liberal terms may be set with entire safety to credit union funds.

DIVIDED POLICIES AND CHECK-CASHING FEES

We support the amendments relating to dividend payments, which would provide additional convenience and benefits to individual members by allowing the credit union to declare dividends on a semiannual basis instead of only once a year, if it chose to do so, and to permit dividend accrual on shares becoming fully paid up within the first 5 days of the month. The amendment to transfer the authority for declaring dividends from the membership to the board of directors also has our support. Permission for credit unions to charge fees for cashing checks to reimburse them for expenses of clearing checks with banks appears a reasonable provision where desired by the membership of the particular credit unions involved.

INTERNAL ADMINISTRATIVE ARRANGEMENTS

The bills we are supporting would make several amendments affecting internal staff arrangements and the powers, duties, and compensation of credit union officials. These all appear to be reasonable, but we wish especially to urge favorable action on the amendment permitting the credit committee to appoint a paid loan officer to act in its behalf in approving loan applications by individual members. Such an arrangement will facilitate quick action for a person who needs an immediate loan. For members with emergency credit needs, the elimination of the delays involved in convening the credit committee can be vital. The decisions of the loan officer would still remain subject to review by the credit committee, but the loan procedure would be much more efficient. We strongly commend this amendment.

FEDERAL CENTRAL CREDIT UNIONS

We also support the amendment which would authorize the chartering of Federal central credit unions made up of local credit unions within a particular geographical area, or which could include as individual members, directors and committee members of credit unions.

Both the stability and the loan flexibility of individual credit unions would be enhanced by the availability of a central source of credit representing the combined resources of the member unions within geographical areas. The territorial basis, in each case, would be voluntarily established by those unions wishing to join together and thus would be tailored to local economic realities.

Under present law, of course, credit unions can and do borrow from each other. But the efficiency and safety of borrowing procedures would be much improved by the mechanism of a central organization in which the member unions own shares and which would be able to muster larger resources to meet special borrowing needs which cannot always be met by other lending institutions.

For example, in a particular locality where one or more industries may be hit by a recession causing much unemployment, local credit unions are under severe demands for cash withdrawals and loans to meet acute personal needs. The credit union is often the only source of credit for a person temporarily out of a job. The credit union in turn may find its borrowing opportunities limited, but with the availability of additional credit from a central organization of its own it can weather the economic distress.

Then, again, workers employed on a seasonal basis may make severe demands on credit union facilities during certain periods of the year. Central credit unions would ease the strain of widely fluctuating credit demands on the part of particular memberships. Or in areas suddenly visited by flood or other disaster, forcing members out of their homes, their jobs or both, the need for additional credit union reserves may be vital.

We urge the authorization of Federal central credit unions. Some State laws—Michigan is one example—currently do make provision for central credit unions in which State-chartered unions can be

members. Federally chartered unions, however, cannot fully participate in these central unions, nor is there other provision for a central credit union they can belong to.

A second purpose of the amendment for Federal central credit unions is to provide full credit union facilities to officers and committee members of local credit unions. These individuals, as persons with direct influence over the policies of the credit unions in which they officiate, are rigidly restricted as to amounts they may borrow from their own organizations. By allowing such officials to participate in a separate central credit union, they may exercise normal borrowing powers without undergoing special personal disadvantage in order to volunteer their energies in service to their own local credit organizations. There is an additional amendment in the bills, which we also endorse, easing the present restrictions on credit within their own credit unions by allowing additional loans where secured on shareholdings of a cosignatory.

MISCELLANEOUS

In addition to the amendments discussed above, there are a number of special changes relating to different administrative or procedural matters, such as placing the Bureau of Federal Credit Unions under the Administrative Procedures Act, making robbery of Federal credit unions a crime under Federal law, and easing the membership definition under which credit unions for Federal employees may occupy space in Federal buildings. The bills would also permit Federal credit unions to convert to State charters and vice versa. We endorse these and other technical amendments increasing the effectiveness of the law.

CONCLUSION

The present bills, with the numerous and carefully worked out revisions they contain for the Federal Credit Union Act, offer an excellent opportunity to modernize and make even more serviceable this highly successful financial institution which has proved of such benefit to working people. The proposed amendments grow directly out of the operating experience of 25 years and should be enacted.

I thank the committee for this opportunity to present the views of the AFL-CIO.

Mr. PATMAN. Thank you, Mr. Riley.

The next witness is the Honorable Mr. Wier of Minnesota.

Mr. Wier, we are delighted to have you, sir. Do you have a prepared statement?

Mr. WIER. No, sir.

Mr. PATMAN. You may proceed in your own way.

STATEMENT OF HON. ROY W. WIER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. WIER. Mr. Chairman, first, may I identify myself. Congressman Roy W. Wier, Third District of Minnesota, and may I then extend my appreciation, and the appreciation of hundreds of credit unions in the State of Minnesota for the opportunity of appearing

here and expressing the appreciation of all of these organizations for this subcommittee's taking up of this credit union legislation.

I think I am safe in saying that per capita, Minnesota has as many credit unions as any one of the 50 States, and we are very proud of them. They have done a remarkably fine job.

I have a file here with over a hundred letters from credit unions, relating themselves to action on the Anderson bill. They were confined, last year, largely to the Anderson bill, which is H.R. 6407 this year.

Now, I only want to express my interest and desire to be of help to this subcommittee in seeing that action brought forth on these bills. Last year, unfortunately, the action did not materialize.

I might say, in connection with the bills before you, that I have some letters this year. Here is one of our biggest credit unions, in Minnesota, which is the Farmers Union Grain Terminal Association. It has quite a substantial membership and it outlines what I would like to convey to the committee here in the way of their support for the bills.

DEAR CONGRESSMAN WIER—

this is dated April 27—

We urge your support of several credit union bills presently under consideration by the House Banking and Currency Committee—

that probably should be subcommittee.

These bills are the Patman bill, H.R. 5777, the Multer bill, H.R. 3674, the Anderson bill, H.R. 6047. The major changes which these bills would effect are:

- (a) To provide Federal central credit unions.
- (b) To increase loan maturity from 3 to 5 years.
- (c) To liberalize borrowing restrictions on board and committee members.
- (d) To increase signature loan limits from \$400 to \$1,000.
- (e) To permit appointment of loan officers.

As I understand—

it goes on to say—

Multer's bill is in the form of a complete recodification of the Federal Credit Union Act. The Patman bill and the Anderson bill are in the form of a series of amendments to the act, which include all of the major changes featured in the Multer bill, as desired by the credit union movement.

Respectfully and sincerely yours,

GRAIN TERMINAL ASSOCIATION
EMPLOYEES CREDIT UNION,
JAMES W. REEVER, *President*.

Now, from my understanding, the Multer and Anderson bills are quite similar. The Multer bill varies a little bit, I understand, in its makeup.

So I come here not in support of any one of the bills. I come here in support of legislation that carries out the desires and the needs of today's operation of a credit union, because credit unions are confronted, like all other business, with changes of the times.

I think I might say that that is about all that it is necessary to say, because everything that the former speaker, Mr. Riley, said, is about what I would have to repeat. So I will save you that repetition and I join with Mr. Riley in his presentation to you of the need for this legislation.

In conclusion, I want to thank you for this opportunity to come here and say a good word for good legislation, for a lot of good organizations in the State of Minnesota.

Thank you.

Mr. PATMAN. Thank you very much, Mr. Wier.

Congressman LeRoy H. Anderson, Second District of Montana.

We are very glad to have you before us, General Anderson. We will be glad to hear your testimony and I am sure it will be very seriously considered. Proceed in your own way.

**STATEMENT OF HON. LEROY H. ANDERSON, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MONTANA**

Mr. ANDERSON. Thank you, Mr. Chairman, I am LeRoy Anderson, Congressman from the Second District of Montana, and I am very happy to be back in this committee room, sitting down here at the witness desk, although most of my time in this room has been spent on that side of the dais. I do want to congratulate the chairman on taking such specific action toward getting some positive credit-union legislation through this Congress. I was very much interested, and while a member of the committee introduced legislation which was similar to that which the committee is presently considering. Even though I am not a member of the committee now, I am just as interested as I was then in doing what we can to make credit unions serve better the requirements of their members.

And so I am appearing today in behalf of the bill by your chairman, Mr. Patman, H.R. 5777 and related bills, which amend the Federal Credit Union Act. I have introduced two bills, one of which is a complete recodification, similar to the one I introduced last year, and the other one is identical with Mr. Patman's bill.

These bills would offer the first comprehensive revision of the law governing the operation of approximately 10,000 Federal credit unions with some 5 million members. Federal credit unions are organized in each of the 50 States as well as in the District of Columbia, the Canal Zone, Puerto Rico, and the Virgin Islands. In addition to the Federal Credit Union Act, most of the States have credit-union laws permitting the chartering of credit unions and regulating their activities. State-chartered credit unions are approximately equal in number and membership to those chartered under the Federal act. Many of these State laws have been modernized in the last few years and now include many of the provisions contained in the proposed legislation before this committee. Moreover, both Federal and State credit unions would be affected by some of the provisions of the bills before you.

A credit union is a cooperative association organized for the purpose of developing thrift among its members and creating a source of credit for its members for provident or productive purposes. Membership in credit unions is limited to groups who have a common bond of occupation or association, or groups within a well-defined geographical area.

At the end of 1958, members' shares in Federal credit unions totaled approximately \$1.8 billion, and loans outstanding to members amounted to approximately \$1.4 billion. Federal credit unions made approximately 3,800,000 loans during the year. Somewhat less than the total amount deposited by credit unions, as you will note, because the amount they can loan is strictly limited by the deposits the members themselves have made.

The average loan size at the end of 1957, the latest year for which this figure is available, was \$516. Many of these loans, of course, were for a much smaller amount, and many credit union members needing such loans find it extremely difficult, if not impossible, to borrow for provident and productive purposes from other institutions at rates of interest which are comparable to credit union rates. Federal credit unions have played a leading role in demonstrating that loans can be made with a minimum amount of risk to the average workingman, at minimum rates of interest. The extremely fine loan-loss record of Federal credit unions will testify to this.

I, of course, am extremely interested in credit unions because they are important in my district—one type of credit union which is extremely important in my district and with which I am familiar because of my activities in the military field, consists of credit unions whose members are members of the armed services. The Malmstrom Air Force Base near my home, in Montana, has one of the largest credit unions in the State, composed entirely of members of the Malmstrom Air Force Base.

We have a new air base at Glasgow, and though that base is just under construction, a credit union has already been established, and is already well serving those members in uniform who have moved into the airbase. It provides a type of credit which is otherwise unavailable to members of the armed services.

(The following excerpts from an address to the SAC credit union conference were submitted by Hon. LeRoy H. Anderson:)

THE IMPORTANCE OF CREDIT UNIONS TO THE AIR FORCE

My job at Headquarters USAF is Deputy Chief of Community Services and the original title of my talk to you today was supposed to have been, "How Community Services Can Help SAC Credit Unions." Those of you who know that community services—as an office—is primarily concerned with the availability of civilian community services to the Air Force will wonder first why I was chosen to make this speech and second, how community services could ever possibly help SAC credit unions.

You will also note that the title of my talk has been changed to "The Importance of Credit Unions to the Air Force." Perhaps if I tell you how we in the Office of Community Services came to be interested in credit unions, I think you will begin to get an idea of their importance and of why Headquarters USAF is concerned that they succeed.

Now the Office of Community Services has four regional representatives (it used to have five before austerity), who visit base commanders regularly and try to help them with problems that are related to civilian community services. Very early in the game we found out that a high percentage of base commanders listed financial and credit headaches as one of the major community problems which they faced. As this problem was recognized and we became alerted to it, "we also noted that those bases which had active, aggressive, and successful credit unions were not as worried about financial and credit problems as those which lacked unions. Your own SAC base at Turner was one of the first we noticed with a good credit union.

Our regional representative began to carry the word to other commanders, and those whose bases did not have credit unions were encouraged to send a representative to visit the bases which had good ones. Gradually more and more bases established credit unions. Before we knew it, we in the Office of Community Services were in the business of promoting the establishment of credit unions in the Air Force—and the responsibility has stayed within our office—where it is today, despite the fact that credit unions are not generally considered civilian community services.

This story seems significant to me for two reasons—first, it demonstrates that credit unions in the Air Force—and in SAC—have been established (and those

which were already established have expanded) in the past few years not because some dreamer in Headquarters USAF thought it would be a good idea—thereby adding another burden on already overworked base commanders—but because there was a real need for them stemming from the basic and pressing problems of our field commanders. And second, it illustrates why credit unions are important to the Air Force—for the very basic, simple reason that they help relieve commanders of headaches caused by the financial and credit problems of the people in their commands.

Credit unions themselves—as others here today will no doubt explain to you in greater detail—have a long and honored tradition in our country and in other countries such as Germany and Canada. Within the Federal service of this country they have existed for many years and there have been many credit unions on military installations—although far too many of them served only civilians and officers. (This is still true in too many cases and requires your early attention.) But the Air Force credit union as we know it today—the credit union that actively seeks members from among airmen and nocoms—the credit union that aggressively sees to it that everyone on the base knows of its existence and purposes—the credit union that is very self-conscious and aware of its importance in the scheme of things—as evidenced by this meeting and by the feeling that perhaps there ought to be a SAC association of credit unions—this kind of credit union movement in the Air Force has a particular importance—an overriding significance which stems from the historical nature of military service.

Military enlisted men have become known for the fact that they are easy prey to sharp operators. Even after they become married, many former airmen, still in the service, find it hard to adjust to managing their money and budgeting their expenditures. Thus it is easy for them to get into debt, but even more so, their financial irresponsibility leads them to deals where they are easily victimized. We see it today—car dealers, insurance salesmen, mutual fund salesmen, “E-Z” credit operators. They seem to swarm around our military installations constantly pleading, imploring, promising, unceasingly reaching for our people’s cash. And too often they get it. The result is debt and more debt for our people, especially for our young, married airmen and their young wives who need all the help they can get in coping with the financial headaches of military life.

Of course, there are other reasons why credit unions are important to the Air Force, all of which underscore the need for them. They relieve our commanders of many civilian complaints over unpaid debts. They provide personnel with a ready source of sensible credit so that they can buy the things they need and pay reasonable interest rates. They provide an incentive to saving. They can do a good educational job on money management. All these reasons are important. They all underscore the one main reason—to help Air Force people become financially responsible. Anything which helps create responsible people for the Air Force is vitally needed. * * *

I believe it was at a SAC base where we received a report that men who never had a bank account in their lives and who were constantly in debt to the loan shark and constantly in trouble in the orderly room were helped in this way by the credit union. When a loan was granted by the credit union, the individual was asked to make an allotment for more than the amount of the loan repayment. (I understand this is the practice at many bases now.) When the loan was repaid, the man was not only out of debt, but he had money in the bank—he was a responsible citizen and he looked upon himself as a responsible citizen and, what is greatly important to the Air Force, he began to act like a responsible citizen. In other words, the credit union was directly helping the Air Force mission when it worked to help create a greater sense of responsibility in this individual. Responsibility is the foundation on which we build the Air Force—and on which we build public support for the Air Force. * * *

One of the first principles for Air Force credit unions ought to be acceptance of the fact that the educational committee of the credit union can be mighty helpful not only in publicizing the credit union, but also in helping to educate our people to some financial practices. By and large we are neglecting our educational committees—but we should not. They can spread the word about car-buying and home-buying and installment buying and help our people to help themselves from getting into the clutches of sharp operators who have no scruples about making a fast buck from the military market. In this task, they should actively seek the help of responsible community leaders, and here is one

way in which the Office of Community Services can help and would be delighted to do so. I would emphasize again our need for good, active education committees on our base credit unions, if these organizations are properly to serve Air Force personnel and the Air Force.

A second principle for Air Force credit unions ought to be a clear recognition of the fact that unions do not exist to serve depositors alone—or to put it another way—it is not overly important that the dividend rate be set at a maximum. It is just as important to keep the interest rate low. The dividend rate ought to be high enough to encourage saving in the credit union, but not so high that borrowers are paying too much. We must constantly be on the alert against a few large depositors controlling the credit union so as to get a maximum interest rate at the expense of the borrowers.

A third principle for Air Force credit unions ought to be a willingness to lean over backwards to make loans to people who need them. Someone in the credit union movement once told me that a credit union that wasn't losing some money in bad loans wasn't doing its job properly. A credit union ought to be serving the people who can't get loans from more conservative banking institutions, and to serve those people, the unions have to take risks.

A fourth and final principle must be that a credit union must publicize—publicize—publicize. The credit union isn't doing anyone any good if no one knows about it. And we must never assume that people know about these things just because there's an article in the base newspaper once a year or even once a month. Every base credit union should make sure that every arrival on the base knows about the union, its function and its address. Calenders, blotters, posters, every possible constant reminder should be used to make personnel aware of the location and existence of the credit union. Credit union officers should ask for time on Commander's Call to explain the union. All media of publicity should be used. A growing credit union is bound to be a useful credit union and useful credit unions are mighty important to the Air Force. * * *

Every advance in the art of warfare serves to make the individual military member a more important person and places a greater premium on his ability, his motivation and his sense of responsibility. We are now on the threshold of some very great advances which will make Air Force very, very important, which will require great skill and a high sense of responsibility. There can be no room for the guy who's always in financial trouble, always being taken by sharp operators, always in debt for more than his income.

If our Air Force credit unions can help us help our personnel to a sense of financial prudence and responsibility and if they can provide our people with a means of inexpensive credit they will be serving the Air Force well. More power to all of you who are working toward these ends.

Mr. ANDERSON. A rural credit union in my State has pioneered in the field of development of credit for rural people. That is at Sidney, Mont., and it has had a very successful venture into this field.

There are many other fields that are being developed and expanded by the credit unions, and I think the legislation which is presently before your committee would be very helpful in expanding the usefulness of credit unions to people who badly need this type of credit.

Among the various changes proposed in H.R. 3675 and H.R. 6407, some of the more important are amendments which would—

(1) Permit the chartering of Federal central credit unions, the membership of which could be composed of Federal credit unions and credit unions organized under the laws of States, Territories, or possessions of the United States, and officers and committee members of such credit unions. The success of State-chartered central credit unions has indicated the need for such Federal central credit unions which would provide a source of credit for State and Federal credit unions and which would provide loan facilities for credit union officers and committee members whose borrowing privileges from their own credit unions are now restricted by law.

(2) Raise the unsecured loan limit of Federal credit unions from \$400 to \$1,000, and increase the loan maturity limit from 3 to 5 years. These changes would allow credit unions to meet their members' financial needs more effectively. The past rises in prices of all types of commodities and services make it difficult for credit unions to serve their members' credit needs adequately with the present \$400 unsecured loan limitation. The increase in the loan maturity limitation from 3 to 5 years would also enable credit unions to more effectively serve their members by extending loans for longer maturities. Often the credit committee of these credit unions hesitate to extent needed financial assistance to their members when they know that a fairly short repayment period may place too heavy a monthly repayment burden on that member's earnings.

(3) Permit the appointment of a loan officer in a Federal credit union who could be permitted to approve loans up to the unsecured limit, subject to review by the credit committee of the credit union. Under the present law the credit committee must approve all loans. This is a substantial burden on these credit committee members who, in the larger credit unions, must often meet daily to consider all loans. In many other cases, loan requests are unnecessarily delayed because of the inability to schedule prompt meetings of the credit committee members. The credit committee members, of course, serve voluntarily and without compensation, but in the larger credit unions it is almost impossible for the credit needs of the members to be handled effectively under the present Federal law. This amendment, permitting a limited delegation of some of the powers of the credit committee to a loan officer, is essential so that credit unions may continue to serve their members effectively.

Many of the amendments contained in H.R. 3675 and H.R. 6407 have been contained in previous bills and have been discussed by various committees of Congress. The changes in the Federal Credit Union Act proposed in the above bills are the result of intensive study of what experience has shown to be desirable in the improvement of the Federal credit union system to meet the needs and conditions of the present time and the predictable future.

Thank you.

Now, one of the most important provisions of the credit legislation which I introduced last year, and which is in the present legislation, is the one which provides for the chartering of Federal central credit unions, the membership of which would be composed of Federal credit unions, and also credit unions organized under the laws of the State—that is State credit unions.

There is a great need for this type of central credit union, and I feel that this is one of the most important parts of the legislation before you. It provides for maximum flexibility, it makes it possible for funds to flow from an area in which there are surplus funds, through the means of the central credit union, to areas which have inadequate supplies of funds. Of course, two cases in which this would be particularly useful would be in cases of catastrophe, where there are unusual demands upon a local credit union without commensurate availability of funds, and a similar situation that would exist in depressed areas, where the payroll is down. I think one such case has already been called to the attention of your committee, of the

Michigan proposal that credit unions make interest-free loans to their members because their paychecks simply were not made available to them by the State.

Such situations as that could be greatly assisted by central Federal credit unions, and I would like to point out that this provision of the bill is rather misunderstood. I would quote to you from the American Banker for Tuesday, May 12, which headlined a comment on this provision of the bill by saying that, "Credit unions are seeking a Federal reserve system," and while it didn't make any particular attack on the provision, certainly attributed to this provision of the bill things that are far beyond anything that is either contemplated or that would be possible under the bill itself.

If I may quote in addition to that headline, one sentence, it says in essence, "Federal and State-chartered unions would form a Federal reserve system of their own."

Well, of course, this is a ridiculous statement. Central credit unions would have no connection with the Federal Reserve, would use no Federal funds, credit, or authority. They are simply a means to make it possible for funds to flow from one area of our credit union system into another area, where it is needed. It may well be that this would be used to take care of seasonal variations. In certain areas there is a seasonal demand which would require that they borrow from such a central Federal credit union as we propose to set up, and at other times of the year this same credit union might well be on the positive side and might be able to provide additional funds to flow into other areas so that they could expand their operation.

Mr. PATMAN. If you will pardon an interruption, General, I think a schoolteachers' credit union would be a good illustration. During the school term, they are depositing all the time, but during the vacation period some of them borrow money from their credit unions in order to help them out.

Mr. ANDERSON. Thank you, Mr. Chairman. I certainly agree with you.

Mr. JOHNSON. Mr. Chairman.

Mr. PATMAN. Mr. Johnson.

Mr. JOHNSON. I think the point I take it you are making, Congressman, is that these are truly thrift organizations, and that the availability of a Federal central credit union would not, in fact, create any new money. It would simply make it possible for money saved by other credit unions to be available where needed.

Mr. ANDERSON. Yes, sir; that is the sole purpose of the provision. We still couldn't loan any more money than is deposited by the credit union members. But it would make it possible for it to go out of the particular area. It might not even have to come from another community. As you know, we have a large number of credit unions in some of our larger cities. Some might be rail, others might be teachers, others might be church groups, and it might very well be that the money would simply flow from one part of a community into the other, but it would use the means of a central credit union in that area to permit the flexibility.

Mr. JOHNSON. Perhaps it should be noted again that one other purpose of the central credit union, as I understand it, is to permit the officers of other Federal credit unions to have a place to borrow, which

is beyond the powers otherwise available to them to borrow their own deposits back.

Mr. ANDERSON. Yes, sir; I thank you, Mr. Johnson. I did touch on that in my prepared statement, but because I heard the previous witness explaining that, I left it out for the moment.

Mr. JOHNSON. I just wanted the record to be very clear at this point.

Mr. ANDERSON. Indeed; I thank you for your contribution.

Mr. PATMAN. Had you finished, General? May I suggest that credit unions impress me as not being like commercial banks, because they operate on a 100 percent reserve, and therefore cannot create money; they just use the money that is already in existence. So to that extent it is not anything like a commercial bank.

Furthermore, they only have one paid person for each credit union, although a credit union may have hundreds of members. That paid person is the treasurer. They do not operate through paid directors, as an ordinary commercial or industrial concern or financing business does. These directors are people who work in the place, or have a mutual interest with the other members, and they serve without pay of any kind whatsoever. All the officers, directors, and members of the different committees render great public service, and they do not receive anything for their service. So I have often said that the credit union movement to me is next to the church, because in its field it does a wonderful service. Certainly the credit union movement is more like—I am just talking about loans, and things like that now—it is more like a church, because the church has usually only one person who is paid, or like a lodge, like the Elks, the Moose, or any of those, they usually have one person who is paid, so a credit union functions more like a church or lodge rather than like a commercial bank. Don't you agree to that?

Mr. ANDERSON. I certainly do, and, of course, the comments that you make point up the importance of one of the other provisions of the bill, which permits the appointment of a loan officer in Federal credit unions who will be permitted to approve loans up to the maximum unsecured limit, because presently these members who, as you point out, are unpaid, must approve all such loans, and that means one of two things. Either that these members must, in the larger unions, somehow make themselves available every day to pass on these loans, or the credit union is not able to adequately serve its membership. And I think the point you are making in addition to pointing up the unselfishness and the community nature of the credit unions, points up also the necessity for such legislation as we have before us at this time.

Mr. PATMAN. And there is one other point: Officers cannot get loans under existing law from their credit union. If they were officers in a commercial bank, they could get a loan from another commercial bank. But they cannot get loans from another credit union because they must be members of the lending credit union. Therefore, there is one provision in this bill which corrects that inequity and does not discriminate against the people who render this great public service free of charge.

Mr. ANDERSON. That was the point Mr. Johnson was making so forcibly a minute ago.

Mr. PATMAN. Yes, sir.

Mr. ANDERSON. Many of the amendments contained in these laws have been contained in previous bills and have been discussed by various committees of Congress. Changes in the Federal Credit Union Act proposed here are the results of intense study of years of experience, and of study of State credit unions, which in many ways have substantial advantages over the Federal credit unions. I feel that passage of each of the amendments proposed in the bill which the chairman has prepared and presented, and which I will be very pleased to introduce later, as an indication of my full support, would be of great help to our credit unions, in meeting the requirements of the present day, and the predictable future. I am a thorough believer in, and dedicated to, the cause that credit unions are serving. It is a need that simply cannot be met by anybody else and I am grateful that the chairman is pressing these hearings with so much expedition. I trust that the committee will back him up in seeing that we get good credit union legislation.

I do want to thank you, Mr. Chairman, for this chance to speak.

Mr. PATMAN. Thank you, General. Are there any questions?

If not, thank you very much, General Anderson. You may supplement your remarks if you desire.

The next witness is Hon. J. Floyd Breeding of the Fifth District of Kansas. Mr. Breeding, we are glad to have you as a witness before this committee. You may proceed in your own way.

STATEMENT OF HON. J. FLOYD BREEDING, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. BREEDING. Thank you, Mr. Chairman, I want to say at the outset that it is a privilege to be back in this committee room and to witness the good work that you and your committee are doing here. I certainly have fond memories of my work here on this committee.

Mr. PATMAN. You made a fine member and we hated to lose you. At the same time we are glad to have you back and we appreciate your counsel and advice.

Mr. BREEDING. Thank you, sir. I am Congressman J. Floyd Breeding of the Fifth District of Kansas, Mr. Chairman and members.

I have studied the various amendments in the bills now being considered by this subcommittee and I wish to register my support for H.R. 5777 and the related bills which propose a number of changes to modernize the Federal Credit Union Act.

As the members of this committee know, the Federal credit unions have established a remarkable record of growth and achievement. Today there are approximately 10,000 Federal chartered credit unions serving over 5 million credit union members.

Although credit unions have not progressed as rapidly in Kansas as they have in some other States, they are nevertheless performing a very vital and worthwhile service for our citizens.

Although the great majority of credit unions are organized among groups as common bond as employment in the same office, plant or agency, a significant number are organized to serve members of professional and fraternal associations, members of a particular church

or parish, and in some cases individuals in a well defined geographical area.

Most of the last group are organized in rural areas where thrift and credit facilities are not readily available.

These rural credit unions, although relatively small in number, are playing a tremendously significant role in the economy of our farm communities. At the beginning of 1957 there were 40 rural credit unions in the State of Kansas, and approximately 525 in the United States. I understand that this figure has grown rapidly. During the first 8 months of 1958 at least 30 new rural credit unions were chartered in the State of Kansas alone. Most rural credit unions are sponsored by farm organizations, rural churches, and other rural groups.

Farm bureau cooperative associations, Grange units, and the Farmers Union, have all promoted and sponsored rural credit unions.

As is true in all credit unions generally, some members use the facilities primarily for thrift, while others are primarily interested in them as a credit medium. Those credit unions organized in farm areas are an important source of credit for the financing of feed, supplies, and equipment purchases of their members. Because of the seasonal and irregular nature of farm income, families who earn their income from the soil require constant and ready available credit facilities. By their very nature credit unions are ideally suited to serve these needs.

However, federally chartered credit unions are severally handicapped in providing their service in rural and farm areas, due to the present 3-year loan maturity limit. As a result most rural credit unions are chartered under State law since they are generally much less restrictive insofar as this provision is concerned. For instance, in Kansas the State credit union law is silent in this connection, thereby leaving the maturity limit to the discretion of the board of directors of each credit union.

Extension of the maturity limit to 5 years as proposed in the bills before this committee would be invaluable in allowing Federal credit unions to better serve America's farm families and rural communities.

Other amendments in the bill are of particular interest to rural credit unions in my area, such as:

(1) The provision to merit the chartering of Federal central credit unions, because of the seasonal and fluctuating nature of farm income, Federal credit unions in rural areas need a readily available source of additional funds in order to serve their members adequately.

(2) The provisions raising the signature loan limit from \$400 to a thousand dollars. The rising cost of farm supplies and equipment and the increased mechanization of America's farms have resulted in an increased amount of the average loan needed. Four hundred dollars is no longer a realistic signature loan limitation for Federal credit unions.

(3) Provisions allowing appointment of a loan officer by the credit committee to approve loans up to the unsecured limit or in excess of such limit if fully secured by shares. It is particularly difficult, and often impractical, for credit committees of credit unions serving rural communities, covering relatively large geographical areas, to meet more often than once per month as required by law, or immediately when emergency loans are needed. Through a loan officer,

the burden of the credit committee would be reduced and service to the members improved.

That concludes my statement, Mr. Chairman, and I appreciate the opportunity to say these few words in behalf of this legislation. Most certainly I am for it.

Mr. PATMAN. Thank you kindly, sir.

Are there any questions, gentlemen?

If not, thank you very much, Mr. Breeding.

Next we will hear from Hon. Ken Hechler, Congressman from the Fourth District of West Virginia.

Thank you, Mr. Hechler. You may proceed as you wish to give your testimony.

STATEMENT OF HON. KEN HECHLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. HECHLER. Mr. Chairman, this is about the coldest hearing room that I have ever been in, but I just want to say I appreciate the warmth of your own personal support for the credit union movement over the past 25 years, since the passage of the Federal Credit Union Act of 1934.

I think I would say that I agree wholeheartedly with the previous witnesses in what they have said. I am particularly glad to see that your bill, H.R. 5777, increases the limit on unsecured loans from \$400 to a thousand dollars, because, of course, since 1949, the purchasing power of the consumer dollar has decreased a great deal. I don't want to give you any details on that. I am sure your distinguished colleague, Mr. Johnson, can fill you in on that.

Mr. PATMAN. Would you permit an interruption on that one point?

Mr. HECHLER. Certainly.

Mr. PATMAN. It all depends, of course, on what you are buying and at what price, in order to determine the value of the dollar now compared to any other period. The most inflationary price, I believe in America today is the price of interest. If you will take 1946 as an example, or 1945, and determine what the Federal Government was paying in the form of interest on short-term obligations, you will find that the dollar that bought a dollar's worth of interest then, will only buy 10 cents worth of interest today. So it is a 10-cent dollar for the purpose of paying interest on short-term obligations of the Federal Government. But you never hear that mentioned, do you?

Mr. HECHLER. That is correct.

Mr. PATMAN. I think the only inflation we have at issue today, and have had for several months, of a dangerous type, is the inflation in the price of interest. And yet you never hear anything about it.

Mr. HECHLER. I agree and that is why it is so important and I am glad that you, in your bill, have paid attention to bringing the situation up to date with the situation in our economy, and I appreciate the comment you have made about the importance of interest.

I believe, as proposed in H.R. 5777, that Federal credit unions should be permitted to invest in the shares of central credit unions. I would also like to see the limits on certain types of loans raised, including the limits on unsecured loans, and I believe it would be wise to extend the loan maturity from 3 to 5 years.

It is for the welfare not only of individual credit union members, but for the entire economy of our country, that I support this legislation. In making these statutory changes, we are only taking note of the changes which have occurred in our economy—changes which, in most instances, have had their most telling effect upon the little man, the wage earner and the white-collar worker.

Mr. Chairman, I believe deeply that the strength of our way of life lies in the fact that you and I and a majority of the Congress and the American people are convinced that freedom of economic opportunity is essential to our survival. Freedom of economic opportunity can be achieved only if we are concerned with the protection of that freedom for the little people—because we know that the big boys can take care of themselves.

Now credit unions are one of the best examples of economic democracy in action, for the benefit and protection of the little people, and we ought to do everything in our power to strengthen them. The people need a source, a safe source, from which to obtain small loans at low interest rates without turning to loan sharks.

In these days when we read and hear so much about Government expenditures and taxes, it is refreshing to recall that the Federal credit union system under the Department of Health, Education, and Welfare does not cost the American taxpayer a red cent, and is self-sustaining. And we have an opportunity by passing H.R. 5777 to strengthen the whole system without spending any more money.

Mr. Chairman, several weeks ago I had the honor to address the annual luncheon of the West Virginia Credit Union League, and I expected about 30 or 40 hardy souls to show up, but I was amazed when 130 of them came to hear my remarks. Since they had been getting a kind of steady diet of credit union facts for the previous 24 hours, I talked with them about the work of my Committee on Science and Astronautics and talked with them about outer space. But they proved by their questions that they really had their feet on the ground and at the end of the speech I slipped in a few comments about credit unions and at that time I made a pledge that I would do everything in my power to work for the passage of H.R. 5777. This morning, Mr. Chairman, I am here to redeem that pledge.

Thank you for the opportunity.

Mr. PATMAN. Mr. Hechler, may I offer one other suggestion. Yesterday we had a witness from Boston, and this witness just incidentally mentioned how a certain member of a credit union was drowned the very day he received his paycheck and he had his paycheck in his pocket when he was drowned. He left 10 children and a widow. Naturally they had to do something. It was an emergency. He said, incidentally, that this person usually brought his check on that particular day and divided it up among all of his family. He had thrift accounts for each one of the children, depending upon the age of the child. And I asked this witness if that was customary, and he said that it was. He said that they had tens of thousands of dollars in thrift accounts saved in that way; that the wage earners would put in the account for their children every payday. I thought that was a wonderful thing, a wonderful example of thrift.

Mr. BURKE. I would like to say at this point, Mr. Chairman, that being from Massachusetts, I am very proud to say that the credit

union movement was established by Mr. Filene in Massachusetts. I think Massachusetts was the first State to recognize the need of a credit union law. I think it was really pushed in our State and has helped thousands and thousands of families. I am proud of the credit unions of Massachusetts.

Mr. HECHLER. I am glad the gentleman brought that up, because 9 years ago this month I was out in Madison, Wis., with that great champion of credit unions, Harry S. Truman, when he dedicated Filene House to the memory of the great Boston philanthropist who did so much to establish and further the credit union movement which as the gentleman said, started in Massachusetts. But since that day in 1950, as in other fields in the mid-50's, we have not made the bold progress of former years.

Mr. PATMAN. That is right. I knew Mr. Filene very well. I was in conference with him and Senator Sheppard and others when the first bill was proposed. And he had Mr. Bergengren here, who was a wonderful man, who looked after Mr. Filene's interests in trying to secure the passage of the bill. I am placing in the record today a complete history of the credit union movement insofar as the various bills and laws are concerned, right on down to date.

Mr. BURKE. I would like to say, Mr. Chairman, that Mr. Edward A. Filene spent a great deal of time and money in what was just an unselfish effort on his part, and he gave a great part of his time to this work. He was one of God's great noblemen.

Mr. PATMAN. He was one of the greatest men I ever knew. He sold everybody on this credit union movement. He had a magnetic personality. He had the kind of personality that would impress people that he was doing something that was genuine and that they should take up.

We have an international credit union week and day, which is the third week in October and the third Thursday in October, I believe. This was started under President Truman in 1948 on the 100th anniversary of the first credit union, which was organized in Germany. I believe President Eisenhower has, each year, sent telegrams commending the credit unions.

This year I think we ought to have another day in addition to that. That is the national credit union day which I am all for. You know this movement is 25 years old. Insofar as Federal credit unions are concerned, President Roosevelt signed the bill making it the Federal law on June 26, 1934. So on June 26—that is on a Friday—I think I will ask for a couple of hours on the floor of the House in order to have time enough to yield to any Member who would like to participate in paying honor and respect to the people who did so much for this great cause.

Mr. JOHNSON. Can I suggest, Mr. Chairman, that we seek to make the bill become law on the same day?

Mr. PATMAN. That is a wonderful suggestion. That will be our goal.

Mr. HECHLER. Mr. Chairman, I feel this bill is in very good hands, and I commend this committee for its work on it.

Mr. PATMAN. Thank you, sir. We appreciate your support.

As stated at the beginning of the record today, I will insert the history of the credit union movement that I have just outlined, and

also a list of the Members of the House who would like to be recorded as supporting H.R. 5777.

Mr. JOHNSON. Mr. Chairman, could I ask that the hearings contain a statistical history of the credit union movement in the United States? If I may have Mr. Austin's attention, I see he is still in the room—Mr. Austin, I suggest that we ought to have in the record a statistical history of the credit union movement, if you can assemble a very simple one.

Mr. AUSTIN. We would be most happy to do so.

Mr. PATMAN. I suggest that it go in the record as of yesterday, following the testimony of Mr. Stone.

Mr. JOHNSON. I appreciate that.

Mr. PATMAN. Without objection it is so ordered.

Are there any other witnesses? If not, is there anything that the committee members would like to bring up before we recess?

Tomorrow morning we will have the Director of the Bureau of Federal Credit Unions, Mr. Gannon.

Mr. JOHNSON. Mr. Chairman, it is with profound regret that I must say that I have another appointment at 10 tomorrow so I will be a little late.

Mr. PATMAN. Very well. Without objection the committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 11:10 a.m., the committee adjourned, to reconvene at 10 a.m., Wednesday, May 13, 1959.)

FEDERAL CREDIT UNIONS

WEDNESDAY, MAY 13, 1959

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE No. 3,
Washington, D.C.

The subcommittee met, pursuant to adjournment, at 10 a.m., room 1301 New House Office Building, Hon. Wright Patman (chairman of the subcommittee), presiding.

Present: Mr. Patman (presiding), Messrs. Multer, Burke, Miller, and Milliken.

Mr. PATMAN. The committee will please come to order.

I have a statement here from Mr. J. O. Brott, general counsel of the American Bankers Association, giving the views of the American Bankers Association. He has asked that this be inserted in the record and without objection, it will be placed in the record at this point. (The statement of Mr. Brott follows:)

STATEMENT OF J. O. BROTT, GENERAL COUNSEL, THE AMERICAN BANKERS ASSOCIATION ON H.R. 5777 BEFORE SUBCOMMITTEE No. 3 OF THE HOUSE COMMITTEE ON BANKING AND CURRENCY

This statement sets forth for consideration by the committee the views of the American Bankers Association with respect to H.R. 5777 and companion bills embodying identical or basically similar provisions.

Bankers have a definite interest in legislation in the credit-union field because of the actual and potential impact of credit-union operations on banks and the public served by banks. It is our desire, at the outset, to make clear to the Congress the attitude of the American Bankers Association regarding the recent substantial growth of credit unions and why we believe that changes in the pending bills should be made.

The statement which follows sets forth the policy approved by its administrative committee on April 18, 1959. It interprets the role of credit unions in the financial structure, with particular regard to their implications for banking. This statement of policy reads:

"The American Bankers Association regards as proper and constructive the original concept under which a group of persons with a common bond may organize and operate a credit union and thereby provide financial assistance to each other by pooling savings to lend to those members of the group who are in need of credit.

"The association believes, however, that any broadening of credit-union functions and operations beyond this original concept is not in the public interest. More than a century of development has provided a framework of public policy for banking through which the benefits of healthy competition can be obtained without endangering the soundness and strength of the banking system. Federal and State legislatures have set forth strict standards for the chartering and regulation of banks and those other financial institutions which are intended to serve the public at large. This has been done in order to protect the public interest.

"The public interest is endangered if other financial institutions organized under an entirely different concept are granted additional powers enabling

them to serve the public at large or otherwise changing significantly the purposes for which they were originally intended. The financial system, under such circumstances, becomes exposed to the same unhealthy conditions which so often in the past have resulted in financial chaos.

"The association takes full cognizance of the healthy competition resulting from the operation of credit unions within their original concept. The association opposes, however, any efforts which serve to alter the original concept of the credit union by compromising the basic principles of self-help and responsibility of the credit union to its own membership."

In the light of the aforesaid policy, our recommendations with respect to specific provisions of H.R. 5777 are as follows:

(1) Section 1 provides for the organization of Federal central credit unions and authorizes Federal credit unions to invest in shares of such Federal central credit unions or other central credit unions.

In our view, the pooling of resources among credit unions through the instrument of central credit unions is not consistent with the principles of the common bond and the responsibility of the credit union to its own membership. The credit union appropriately should serve its own membership and should not extend the scope of its operation or lend its resources to groups outside its common bond. Except for temporary purposes, investments should be limited to loans to the members of the group. Likewise, authority to borrow should be restricted to temporary or emergency purposes, and should not be employed as a means of shifting funds between credit unions or broadening lending operations beyond the limit of the funds available from savings of the members of the credit union.

(2) Section 2 extends the maximum maturity on loans from 3 to 5 years. A concentration of loans in longer maturities might impede the liquidity that a credit union otherwise might derive from turnover of its loan portfolio. Provision might be made to restrict total loans with longer than a stated maturity to a maximum percentage of the credit union's capital and surplus.

(3) Section 9 increases from \$400 to \$1,000 the maximum amount that can be loaned to a member on an unsecured basis. The question is raised as to whether such a substantial increase in the size of loans might not cause an undue concentration of risk in fewer borrowers and thus expose shareholders unduly to such risk. Provision might be made to restrict the total of loans over \$400 to a maximum percentage of the credit union's capital and surplus.

(4) Section 4 gives Federal credit unions authority to charge members and individuals eligible to become members a reasonable fee for cashing or selling checks. While we recognize that over-the-counter transfer of funds is sometimes necessary in conducting a credit union's thrift and loan functions, it is not appropriate for them to operate as tellers' windows performing an exchange function which would give them the appearance of banks. Not only is the selling of checks inconsistent with the purpose of the credit union, but likewise is the authority to serve nonmembers in both cashing or selling checks. Under this provision, a Federal credit union organized under the bond of a community or rural district might well perform a banking exchange function without regard to membership requirements.

Mr. PATMAN. Also Mr. John L. Carey, executive director of the American Institute of Certified Public Accountants has sent in a 5-page letter to the subcommittee outlining the institute's views regarding this bill. That, too, will be inserted in the record at this point without objection.

(The letter referred to follows:)

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
New York, N.Y., May 12, 1959.

HON. WRIGHT PATMAN,
Chairman, Subcommittee No. 3 of the House Committee on Banking and Currency, House Office Building, Washington, D.C.

DEAR CONGRESSMAN PATMAN: You have before you at this time a number of bills to amend the Federal Credit Union Act. Several of them contain proposed changes apparently designed to broaden authority of credit union management to engage professional assistance in carrying out the audit requirements under the present act.

We have certain recommendations to offer regarding these proposed amendments which we hope will aid your committee in achieving its objective of developing constructive legislation. We would appreciate it if this statement could be made a part of the record of your hearings.

As you know, the American Institute of Certified Public Accountants is the only national association of certified public accountants, with a membership of more than 34,000. The institute is primarily concerned with the work of independent certified public accountants, with major emphasis on accounting principles and procedures, auditing, income taxation, and advice on business problems.

Section 11(e) of the Federal Credit Union Act presently requires that:

"The supervisory committee shall make, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; shall make an annual audit and a report to be submitted at the annual meeting of the corporation; * * *

The changes in this language proposed in several of the bills before you appear in section 16 of the bills and include the addition of the words "or cause to be made" so that the language would read:

"The supervisory committee shall make, *or cause to be made*, at least quarterly, an examination of the Federal credit union, including an audit of its books; shall make, *or cause to be made*, a report of its quarterly examination to the board of directors; shall make, *or cause to be made*, an annual audit, a report of which shall be submitted to the members at the next annual meeting of the corporation; * * *" (emphasis added).

The same bills also propose the addition of the following clause to section 11(c), relating to directors, of the present act (section 14 of the bills): "and provide for compensation of necessary clerical and auditing assistance requested by the supervisory committee, * * *."

These proposed changes are the basis for our belief that the sponsors of the bills intend to broaden the authority of the management of Federal credit unions to authorize specifically the engagement of professional assistance in carrying out the audit requirements under the present act. We believe these changes are constructive. However, there are two points regarding them which we should like to bring to your attention. The first is that the word "audit" without further description has no precise meaning. Accordingly, we believe it should be defined in the act. The second point is that an audit, naturally, can be no better than the skill of the person who performs it. We believe, therefore, that the statute should provide for the audit to be made by technically competent independent accountants.

DEFINITION OF "AUDITS"

We believe it is essential to set forth clearly in the act the standards to be followed in the conduct of the audits. An audit requirement which does not cover these standards may give the appearance of setting up some safeguards against inadequate financial reports when, in fact, no such safeguard is actually present. Unless the word "audit" is defined, there is almost certain to be confusion about the scope and intensity of the work to be performed, which might easily result in failure to achieve congressional intent.

A simple way to avoid these risks is to specify in the legislation that the required audits must be conducted in accordance with "generally accepted auditing standards." That quoted phrase has a definite meaning. It refers to the formal standards developed over the last 40 years by the American Institute, and embodied in its official reports and statements. These standards are well recognized and accepted by CPA's as establishing the responsibility assumed by independent auditors and have frequently been cited by the courts, the Securities and Exchange Commission, and other governmental agencies.

COMPETENCE OF AUDITORS

The present act, and the proposed amendments, call for quarterly and annual "audits." Obviously it is the intent of Congress that there should be periodic reviews of a credit union's operations to provide assurance that its financial reports are reliable. However, auditing is a highly technical skill which cannot be adequately performed except by those who have had extensive training and practical experience in the work. To ask a supervisory committee, composed of people who are generally not trained in accounting and auditing, to assume an audit responsibility appears to place an unfair burden on them which they cannot properly discharge without professional help.

The most widely recognized evidence that a person has the necessary qualifications for an auditor is his possession of the right to practice as a "certified public accountant." That right is granted by the several States, Territories, and the District of Columbia to anyone who has demonstrated that he possesses the requisite character, education and experience, and has passed the uniform 2½-day written examination which has been adopted by all the States, Territories and the District of Columbia.

In addition, with few exceptions, CPA's are subject to discipline for infraction of rules of conduct adopted by the American Institute, State society of CPA's and State boards of accountancy. Typically, these rules require adherence to generally accepted auditing standards and accounting principles, provide penalties for false and misleading statements, restrict contingent fees and financial interests in clients' affairs, and prohibit occupations incompatible with public accounting—all intended to avoid even the possible appearance that the CPA's judgment might be wrongfully influenced.

Because of these facts, we believe that it would be reasonable to require in the legislation that the independent audits should be conducted by certified public accountants. There is sufficient precedent for this in both Federal law and regulation. However, if for any reason it does not appear practicable to require that audits be performed only by CPA's, then we suggest that the legislation give clear-cut authority to the Director of the Bureau of Federal Credit Unions to investigate the qualifications of any other public accountants and decide whose reports are to be accepted.

SUPERVISORY EXAMINATIONS

At the risk of belaboring a point which may already be well known to you, we should like to point out that a supervisory examination is not the same thing as an audit. Because examiners may use similar procedures to some extent, many people tend to confuse a supervisory examination with an audit. This difference is made clear in the Comptroller General's report on the Bureau of Federal Credit Unions under date of April 20, 1959, which quotes the examiner's guide distributed by the Bureau as follows:

"An audit is designed to go behind the figures appearing on the balance sheet and statement of income and expenses and to verify that these figures reflect the actual conditions that exist. The supervisory examination, on the other hand, consists of an analysis of (1) the credit union's methods of operation from the viewpoint of determining whether there has been compliance with all applicable laws and regulations and whether the member's shareholdings are being protected, (2) the capacity and policies of its management, and (3) the credit union's financial soundness. It is of course recognized that in making the supervisory examination some auditing steps or techniques are used in developing the facts."

As a matter of fact, we understand that the Bureau specifically states on its report forms that its examination is not the same as an audit.

This emphasis on the differences between a supervisory examination and a professional audit is not intended as criticism of the supervisory authorities. If their examinations were to be broadened to accomplish the objectives of a professional audit, the number of examiners would have to be multiplied manifold. This, in turn, would necessitate an extensive training program and pose an exceedingly difficult recruitment problem in view of the scarcity of qualified trainee accountants.

SUMMARY OF RECOMMENDATIONS

Since the scope and quality of audits can vary widely unless adequate safeguards are provided, it would seem desirable that any audits of Federal credit unions, authorized by this legislation, should be conducted by independent certified public accountants, in accordance with generally accepted auditing standards.

In closing, I want to assure you that the American Institute of Certified Public Accountants will be glad to be of whatever help it can with respect to any matters relating to financial reporting, auditing, or accounting principles.

Yours sincerely,

JOHN L. CAREY, *Executive Director.*

Mr. PATMAN. Our first witness this morning is Mr. J. Deane Gannon, Director, Bureau of Federal Credit Unions, Department of Health, Education, and Welfare.

Mr. Gannon, will you come around, please. I notice you have a prepared statement.

Mr. GANNON. I do, Mr. Chairman.

Mr. PATMAN. You may present it as you desire.

STATEMENT OF J. DEANE GANNON, DIRECTOR, BUREAU OF FEDERAL CREDIT UNIONS, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. GANNON. Thank you, Mr. Chairman. I am J. Deane Gannon, Director of the Bureau of Federal Credit Unions, Department of Health, Education, and Welfare.

H.R. 5777 proposes 22 substantive changes in the Federal Credit Union Act, some of which were originally suggested to the Congress by the Department of Health, Education, and Welfare as a part of the Financial Institutions Act (S. 1451 and H.R. 7026, 85th Cong.).

We would favor without modification the following 12 proposals:

1. To permit loans to directors and committee members up to the amount of their shareholdings in the credit union as now provided, plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or member of committee (sec. 3(a)).

2. To more specifically state the prohibition against endorsement of loans for borrowers by members of the supervisory or credit committee rather than "committee member" as presently provided (sec. 3(b)).

3. To permit the election of more than one vice president (sec. 6).

4. To change the title of the position now designated as "clerk" to "secretary" (sec. 6).

5. The new provision that "no executive officer, except the treasurer, shall be compensated as such" incorporates in the law a limitation now prescribed by the bylaws and accepted practice (sec. 6).

6. To provide specific authority for the Board to compensate the necessary clerical and auditing assistance requested by the supervisory committee and the authority for the Board to compensate loan officers appointed by the credit committee (sec. 7(b)).

7. To specify that dividends may be declared by the board of directors instead of by the members as now provided (sec. 10).

8. To provide that the bylaws may specify semiannual dividends rather than the present limitation to annual dividends (sec. 10).

9. To permit dividend credit for a full month on those shares which are or become fully paid up during the first 5 days of that month (sec. 10).

10. To permit allocation of space in Federal buildings to those credit unions having a membership composed of at least 95 percent of Federal employees instead of the present requirement that the membership be composed exclusively of Federal employees (sec. 12).

11. A provision which will make robbery of a Federal credit union a crime under Federal statute (sec. 15).

12. To extend the Federal Credit Union Act to the several Territories and the several possessions in addition to the several States, the District of Columbia, the Panama Canal Zone, and the Commonwealth of Puerto Rico (sec. 13).

We would have no objection to the following seven changes subject to the suggested amendments and modifications:

1. Section 2 would extend the loan maturity from 3 years to 5 years. We are not aware of a great need for extended loan maturities. In fact a recent study of loans made by Federal credit unions indicates that only about 10 percent of the total number of loans made were for the present maximum limit of 3 years. It is recognized that loans for home improvement could be made to a better advantage if the maturity limit were extended.

However, we should not be unmindful of the correlation between liquidity and loan maturities. Certainly the key to proper liquidity and solvency is the systematic amortization of loan receivables. These considerations would suggest that required amortization be a condition for approval of an increase of loan maturities and we would suggest an amendment which would provide authority to make loans with maturities not exceeding 5 years which shall be amortized by equal payments of principal together with interest during the term of the loan to be made not less frequently than annually.

2. Section 4 is intended to provide the specific authority for Federal credit unions to cash and sell checks and to make a reasonable charge therefor. Certainly the demand for such authority is not widespread. The convenience to members is not questioned but these activities have been known to impose a substantial workload upon the credit unions even to the point of interfering with the normal activities of thrift and loan services. We find little justification for rendering this service to individuals eligible to become members as proposed. Legally and traditionally credit unions do business with members only and we do not believe that an exception in this area would be justified. We do not believe that credit union members should be required to pay a fee for a check which represents a withdrawal from their share accounts or for the proceeds of loan transactions by the members. In view of these considerations and further to cope with the hazards which are inherent in these activities we would suggest adoption of this proposal only if the authority is limited to service to members and made subject to rules and regulations of the Director designed to safeguard the credit union and the members' interests.

3. Section 5 provides for the appointment of the supervisory committee and the duties and powers of that committee. The provisions of this section represent a substantial departure from the traditional election of the supervisory committee by the members to the proposed appointment by the president subject to ratification by the board, which, in turn, identifies the committee with those responsible for the general management rather than with the membership and independent of management. We are aware of the fact that there are good arguments for making management more directly responsible for internal audit and control. Our chief concern is that Federal credit unions will have the benefit of adequate and efficient audit and control. We do not believe that the president, who is an officer, should select the members of the supervisory committee who will be auditing

his administration and we would, therefore, suggest an amendment to provide for a supervisory committee of three members to be elected by the board of directors.

If the method of election of the members of the supervisory committee is modified we would suggest amendment of section 5(b) to delete the authority of the president to suspend members of the supervisory committee. This would leave suspension action by either the supervisory committee or the board subject to the approval of the members. Moreover, unless ultimate authority here resides in the membership there could arise the untenable situation of cross suspensions with the membership able to decide only one.

4. Section 7(a) incorporates an entirely new concept of approval of applications for membership by permitting the board of directors to delegate to the membership chairman authority to act upon such applications. This proposal is made to eliminate the need for holding applications for membership for action until the next regular monthly meeting of the board and to avoid the necessity of convening a special meeting of the board to approve such applications at an earlier date.

We agree that election to membership may reasonably be made by a committee or by an individual and accordingly have no reservation concerning the objective of this proposal. We do, however, suggest the necessity for incorporating the following limitations and additions:

(a) If the delegation is to an individual such person should not be the treasurer or assistant treasurer as specified, and neither should he be the loan officer as provided for in section 8. This exclusion would avoid the possibility of one-man control.

(b) The language of this section should specifically provide that all applications for membership not approved by the committee or membership chairman shall be presented to and acted upon by the board of directors.

(c) It appears to us that there are additional areas in which an executive committee made up of a number of the members of the board could effectively function under a limited delegation by the board. Such areas would include the buying and selling of the securities which are specifically prescribed in section 7 of the Federal Credit Union Act as authorized investments for Federal credit unions. The language of this proposed section would not appear to permit delegation to an executive committee and we would suggest such a revision so that if the board so desired specific delegations, including acting upon applications for membership, could be handled by an executive committee of the board.

5. Section 8. of the bill authorizes the credit committee to delegate to a loan officer power to approve loans up to the unsecured loan limit. The loan officer proposal is justified by the fact that the volume of loan applications in some Federal credit unions is rather large and the credit committee, which is not compensated, finds it difficult to give the time needed to render prompt loan service in many emergencies. We acknowledge the need for some relief in this area and in fact have advocated such a delegation providing the delegated authority was held within well-defined limitations. A recent study of loans made by Federal credit unions indicates that loans of \$500

and less accounted for 66.4 percent of the total number of loans made. It appears that a delegation for loans of \$500 and less would give substantial relief to the credit committee in the matter of volume of applications and at the same time facilitate loan service. We do not believe it desirable to establish a direct relationship between the unsecured loan limit and approval of loans by a loan officer. Loans of less than the statutory loan limit may well require as much or more consideration as those of larger amounts.

We believe it desirable to retain the credit committee consideration of larger loans and accordingly suggest that adequate relief to the credit committee and prompt service to the borrowers could be attained by limiting the delegation of authority to the loan officer to those applications for loans of \$500 and less.

6. Section 9 would increase the unsecured loan limit from \$400 as now provided to \$1,000. The unsecured loan limit has been progressively increased by action of the Congress from an initial amount of \$50 in 1934 to \$100 in 1940, \$300 in 1946, and \$400 in 1949. We are quite proud of the loan experience and we believe that this experience would support upward revision. On the other hand, we are not aware of any hardship for credit union members because of the limit placed upon unsecured loans. In fact the loan study made revealed that 46.2 percent of the total number of loans made were unsecured and that the average unsecured loan made was \$245. A 1956 summary of State laws governing State-chartered credit unions indicates that in those 29 States and the District of Columbia in which there is a statutory unsecured loan limit:

(a) Only one State—New York—has a limit in excess of \$500 and that is \$1,000 which applies only to credit unions having capital of \$2 million or more.

(b) Eight States—California, Connecticut, Illinois, Missouri, Oregon, Utah, Washington, Wisconsin—have an unsecured loan limit of \$500.

(c) Nineteen States have lower limits—\$50 to \$400.

It appears inevitable that larger unsecured loans will increase the risk for Federal credit unions especially if loan maturities are increased to 5 years. For all these reasons we believe that an increase in the unsecured loan limit to \$500 would certainly impose no hardship on any credit union member and would not likely, of itself, adversely affect the loss experience of Federal credit unions but would give some additional latitude in the extension of unsecured credit. We, therefore, recommend a limit of \$500 for unsecured loans.

7. Section 14 provides authority for conversion from a Federal to a State credit union and from a State to a Federal credit union. Actually we have had no problem in this area. Since 1934 there have been 27 Federal credit unions that changed to a State charter for a number of reasons. Three converted so that the officials could engage in the sale of insurance to members. Federal credit unions, their officials, or employees may not profit from insurance sales arising out of credit union transactions. We further require that borrowers must be permitted a free choice in selecting an insurance company when insurance of the property pledged to the Federal credit union is required. Another 14 Federal credit unions have changed to State charter in order to make long-term real estate mort-

gage loans. Another 10 appear to have changed for miscellaneous reasons. We have no objection to conversion from a Federal charter, however, we believe that any legislation authorizing conversion from Federal to State charter should require the affirmative vote of at least a majority of the membership, either in person or in writing.

There have been 17 cases in which credit unions operating under State law have requested Federal charters. In most cases these credit unions served or desired to serve employees of an employer whose business activities extended beyond State boundaries and they were precluded from such operation by State law. These credit unions, with the approval of the State supervising authority, sought a Federal charter and, since they met the qualifications of the Federal Credit Union Act, Federal charters were issued. We would not accept any credit union which would seek to avoid proper supervision and regulation by a State authority. Nor do we desire to compete with any State in the chartering of credit unions. It seems to us, however, that the proposed language fails to provide for the same investigation and qualifications for Federal charters under this procedure as required for other applicants for Federal charters. Accordingly, we would suggest that the organization certificate filed with the bureau by a State credit union should be subject to the same approval required by the act for individuals seeking an original Federal charter, and that such approval should be conditioned upon the director being satisfied that all the requirements of the act have been complied with, not merely upon completion of the three formal steps as now apparently provided in the bill.

The following proposals seem to us either unnecessary or undesirable and we would accordingly recommend against their enactment.

Proposed amendments to sections 2, 9, 10, and 11(d) of the Federal Credit Union Act introduce new authority for the chartering of and operation of Federal central credit unions which are chiefly distinguished by their inclusion of credit unions organized under Federal and State law as members.

The proposed new section 7(e) would permit Federal credit unions to invest unlimited funds, in the shares of Federal and State central credit unions. Actually these proposals add very little flexibility for Federal credit unions. The present act permits Federal credit unions to borrow from any source. It also permits them to make loans to other credit unions. In addition there are officers' credit unions which provide additional sources of borrowing for the officials who are limited in their borrowing from their own credit union. It is acknowledged that a number of the States do permit the organization of central credit unions and the investment therein by State chartered credit unions. It seems, however, that through this vehicle there has developed in an unorganized manner a quasi-central system which in times of economic stress could not meet the real need of credit unions for a source of discount which would permit them to maintain the liquidity necessary to adequately serve their members. Certainly central credit unions which operate under the same statutory provisions as other credit unions could not hope to service any more effectively the needs of credit unions than the facilities that are now available.

We do not believe that a strong case could be made for unlimited investment by Federal credit unions in shares of central credit unions

in order to obtain a greater yield from investments. We believe that experience has indicated that central credit unions could not pay a higher rate of dividend than the yield normally returned by the presently permitted investments.

In view of these considerations we do not feel that legislation to permit the organization of Federal central credit unions and to permit Federal credit unions to invest unlimited amounts in shares of central credit unions is either necessary or desirable and we would, therefore, not recommend these proposals for adoption.

Section 11 proposes a new subsection (h) to section 16 of the Federal Credit Union Act and provides that in every case of an adjudication by the director under this act, determination shall be made on the record after giving the opportunity for a hearing to all persons and credit unions who may be directly affected by any order that may be issued as a result of such adjudication. First we are not aware of any expressed desire for this provision by Federal credit unions.

Further, we do not believe that the absence of this requirement during the 25-year history of Federal credit unions has presented any problem for either the Federal credit unions or the bureau.

In view of the fact that the bureau operates without an appropriation of Treasury funds we are especially concerned with the additional time and expense that would be entailed. The funds that support the bureau come directly from the fees paid by Federal credit unions and we would not be able to assume any additional items of expense without an increase in the fees charged. Certainly, if future growth of Federal credit unions indicates the desirability of such a provision we would favor its adoption, but for the reasons stated we would not favor its adoption at this time.

We would, therefore, recommend that the bill, modified as suggested above, be enacted by the Congress.

In addition to H.R. 5777 (and H.R. 6407 which is identical) this committee has before it several other bills amending the Federal credit Union Act. H.R. 3674, H.R. 3675, H.R. 5939, H.R. 5958, H.R. 5988, H.R. 6089, H.R. 6122, H.R. 6161, H.R. 6241, and H.R. 6755 are in the form of a complete recodification of the Federal Credit Union Act, providing for the same substantive changes as H.R. 5777, but also propose a review by the director if an expelled member requests it within 30 days, of his expulsion by the members of the Federal credit union. The scope of this review and its consequences are not specified in the bills.

We believe that authority already exists under the law for us to take action in case of violations of the law or of the bylaws. Therefore, if the proposed amendment intends a limited review of the legality under the act and bylaws of the procedure taken in the expulsion action we believe the amendment is unnecessary.

If, however, it is intended that the review by the director is to include consideration of the merits of the dismissal, we would be opposed to it as unduly interfering with the rights of the credit union, since expulsion must be preceded by a two-thirds vote of the members present at a special meeting called for that purpose and only after an opportunity for the member involved to be heard. The absence of standards in the amendment with respect to the right of a member to retain his membership would be an added reason for recommending against the proposal.

This concludes my statement.

Mr. PATMAN. Thank you very much, Mr. Gannon; you have presented a very fine statement. You have given us some good thoughts and suggestions, and everything that you have said, I assure you, will be given careful consideration by this committee. I am convinced that you have the interest of these fine organizations at heart, and that you want to do what you believe in the light of your experience and knowledge will be best for credit unions generally?

Mr. GANNON. That is true.

Mr. PATMAN. Of course, some of us may disagree with you on some points but we certainly know that you are sincere in your advocacy of these suggestions that you have made.

Would you like to ask any questions, gentlemen of the committee?

Mr. BURKE. Mr. Chairman.

Mr. PATMAN. Mr. Burke.

Mr. BURKE. In relation to Federal credit unions as they compare to some of the credit unions of the States, would you advocate allowing credit unions to grant GI mortgages?

Mr. GANNON. Mr. Burke, under this proposed legislation, the credit unions could make loans with maturities up to 5 years, which is also provided for in FHA.

Mr. BURKE. I would like to get your attitude on that. In Massachusetts the credit unions operating under State laws were allowed to grant mortgages up to \$12,000 and it has worked out very well over the period of years it has been in effect. I was wondering what your attitude was toward liberalizing the law to that extent.

Mr. GANNON. Presently Federal credit unions are precluded from making FHA title I loans because our counsel has indicated that insurance, as such, is not collateral. Therefore, if it was desired that they have this right, it would be necessary to further amend the law to make specific provision that this insurance would be considered as collateral.

Mr. BURKE. What do you think of it? That is what I am trying to find out.

Mr. GANNON. Well, I have no strong personal feelings for it, sir, one way or the other. It is a means by which credit union members might be served. I am not sure that they could not be served under the present terms of the law, by providing collateral.

Mr. BURKE. Do you feel that the Government guaranty of the GI loan and the FHA loan is not strong enough?

Mr. GANNON. Oh, I am sure that it is strong enough, sir. That is not my concern. It is just whether or not you want to make a specific provision in the law that this type of insurance would be considered as collateral.

Mr. BURKE. If you feel it is not collateral, why do the banks take them?

Mr. GANNON. The loan is insured. As you know, it is the total of the loans that is insured, and not each specific loan. That is why under the present terms of our Federal Credit Union Act our counsel ruled that insurance does not qualify as collateral.

It is just a technical legal determination. It is in no way a reflection upon FHA insurance.

Mr. BURKE. Well, have you made any study or survey of the conditions, for instance, in Massachusetts, where they have granted these mortgages?

Mr. GANNON. No, sir.

Mr. BURKE. That is all.

Mr. PATMAN. Mr. Multer, we would be glad to have you ask questions if you like.

Mr. MULTER. Thank you very kindly, Mr. Chairman.

As you know, I am very much interested in the subject, as is the chairman and as are all the other members of the committee.

I join with the chairman in his approval of the very fine statement that Mr. Gannon has presented to us.

Several things have occurred to me with reference to his suggestion for improvement of the bill.

On page 3 of your statement, Mr. Gannon, you refer to the fact that you would probably have no objection to the 5-year maturity if, as a condition, the loans were required to be amortized.

Mr. GANNON. Yes, sir.

Mr. MULTER. Doesn't your bureau now have the power to require all loans to be amortized?

Mr. GANNON. Not specifically, Mr. Multer. The language of the act does not indicate that requirement for loans with maturities not exceeding 3 years.

Mr. MULTER. As to present loans, that credit unions are authorized to make, isn't it the practice that they all be amortized?

Mr. GANNON. Generally, yes, sir.

There are some single payment loans made. This is our concern, if credit unions make single payment loans due at the end of 5 years.

Mr. MULTER. In your supervisory authority, don't you have the right to say to a credit union that you ought not make this type of loan unless it is amortized?

Mr. GANNON. We do say that, Mr. Multer. I am not sure we could sustain this position legally without specific language.

Mr. MULTER. Then I think the suggestion ought to be, don't you, that we put into the statute specific authority for you as director, to say to credit unions that they shall make certain loans on specific terms, not as to any specific loan but so that you may set general standards for general types of loans. Don't you think you ought to have that power?

Mr. GANNON. We would either like to have it expressed in the act, or as you indicate, it would be an alternative solution. Whatever you would deem most advisable.

Mr. MULTER. If you do not have it, don't you think you ought to have this for all loans and not just as to 5-year loans if we should decide to make them 5 years?

Mr. GANNON. I think so.

Mr. MULTER. Then, with reference to the increase of the maximum amount of unsecured loans, I wonder if you are aware of the fact that 11 or 12 State legislative bodies this year have considered bills, and with the exception of those that are still in session and are still considering the bills, in almost every instance, in connection with small loans, small-loan companies—and credit unions make small loans—they have increased the limit of the maximum that these small-loan companies may lend, which is indicative of the fact that the whole

economy has changed and what cost \$300 some years ago costs \$600 now, and what cost \$400 now costs \$800. Don't you think possibly an increase to \$750 might be a good compromise?

Mr. GANNON. I would like to say first of all, with respect to small-loan companies, that all of their loans are not made on an unsecured basis. They require chattel mortgages and cosigners. This is just with reference to unsecured loans.

Mr. MULTER. Small loan companies tell us they must charge 3 percent a month on their loans because they are practically unsecured and they have difficulty collecting.

Mr. GANNON. I am not in a position to state, offhand, but I have seen some analyses of their loans which indicate that a substantial portion of their loans are secured by chattel mortgages on household goods, automobiles, and whatnot. I must admit that I cannot say there is anything sacred about \$500 and we do know there has been inflation.

We just have the feeling from the study that we made, first of all, that apparently the demand for unsecured loans in larger amounts has not been apparent. We have an average of \$245. Furthermore, we have the 10-percent limitation, as you know, so that credit unions may make loans certainly in excess of \$500 with security.

Mr. MULTER. Yes.

Mr. GANNON. And the act defines security quite broadly, permitting a comaker, for instance, to be considered as security.

Now, we are only concerned, as you all are, too, that the unsecured loans are not going to be made in such amounts that possibly we are going to increase the loss ratio. We are very proud of the fact that Federal credit unions have lost only 17 cents on every \$100 loaned and we hope we can protect this record. I am sure the credit unions are just as enviable as we are, too.

Mr. MILLER. Would the gentleman yield?

Mr. MULTER. I yield.

Mr. MILLER. Does the fact that the average loan is \$245 prove anything at all with respect to the potential demand for such a loan?

Mr. GANNON. Only to this extent, Mr. Miller. I would think, if the demand was for higher unsecured loans, that the average would certainly have been closer to \$400, which is the limit.

Mr. MILLER. I would not be able to draw that conclusion at all on the basis of those figures. Of course, on this point, as to whether the loans are secured or unsecured, it seems to me that that has nothing to do with the need for money as such.

I would like any further data that you have to give, backing up this categorical statement that there does not appear to be any hardship for credit union members. Do you have any additional other than these averages?

Mr. GANNON. No; that is all we have, actually.

Mr. MILLER. Thank you.

Mr. MULTER. Mr. Gannon, with reference to so-called central credit unions, would you waive your objection if we wrote into the bill a provision limiting the amount that any credit union could invest in the central credit union?

Mr. GANNON. I think that would be one consideration with respect to that investment provision. However, there still is the question of whether or not we should have Federal central credit unions.

Mr. MULTER. There now are central credit unions in many States.

Mr. GANNON. That is right.

Mr. MULTER. They operate effectively and are rendering good service; are they not?

Mr. GANNON. So far as we know; yes, sir.

Mr. MULTER. At any rate, there has been no criticism of their operation?

Mr. GANNON. That is right. Our own feeling on this matter, Mr. Multer, is that, if you have a central credit union which services the credit unions of New York State, the credit unions of New York State generally are affected by the same economic conditions, and those that have surplus funds deposited in the central credit union, when they have an economic stress, would want to withdraw those funds to meet their own particular demand; on the other hand, those who needed to borrow would want to borrow from the central at the same time. It seems to me it is too localized to be an effective instrument.

Mr. MULTER. As I understand it—and you may correct me if I am wrong—today there are very few places if any where a credit union can go to borrow funds. We have many situations, particularly with the newer credit unions, where they do not have enough money to meet the demands of their community.

We have other situations where the credit union has an excess of funds and has no place to put them. Now, it is my understanding that these central credit unions operate as a means of taking excess moneys from a credit union that has an excess and siphoning them into a credit union that does not have enough until it gets enough of its own funds, and thereby putting to use all of the funds that are in the credit union movement, some of which would otherwise lie idle. Isn't that really the way they are operating?

Mr. GANNON. That is the way they are operating. You can do this, of course, under the present law because credit unions may borrow from any source and may make loans to other credit unions.

Now, you have one factor. You do not have the clearinghouse arrangement where you select those that need and those that have.

Mr. MULTER. And, as far as I know, the credit unions have never used the central credit union as a means of getting a higher return on their money. They do not use the central credit union to get a higher rate of return. It is merely to put excess funds to use. Am I not right, sir?

Mr. GANNON. I think that is right, because, actually, experience would indicate that they could not get a higher return than they could from other sources of investment.

Mr. MULTER. Now, with reference to the statement you made as to exercising the right to review the expulsion of a member. You say you have the right to determine whether or not the credit union is acting in accordance with the law and the bylaws, and that you have the right under existing law to review such an expulsion of a member to that extent.

Mr. GANNON. Yes, sir.

Mr. MULTER. Have you ever exercised that review?

Mr. GANNON. We have never had any complaints in this area.

Mr. MULTER. Can you point out the provisions in the statute that give you that right to review today?

Mr. GANNON. I would think, Mr. Multer, that under our general authority, you see, we are charged with the supervision of Federal credit unions and their compliance with the act, and certainly, we would move to make an investigation to determine the merits of any complaint.

Mr. MULTER. Let us take this completely suppositious case.

A man is expelled from membership in a credit union because the credit union insists that every member wear a lapel button signifying that he is a member of the credit union and the member refused to wear the button, and was, therefore, expelled.

Under existing law, can you review that expulsion?

Mr. GANNON. We could review it, Mr. Multer, to determine that he was properly notified, and that the two-thirds of the members present voted upon his expulsion, that he was first given an opportunity to be heard. Now, failing, then, to give him the opportunity to be heard and failing to have two-thirds vote to expel him, we would say that you have not acted in accordance with the law, and, therefore, the expulsion cannot stand.

Mr. MULTER. And, if they gave him notice that they were going to expel him because he refused to wear the button and then they brought him in and said to him, "Do you wear the button, or do you not?" And he says, "I do not wear the button and will not wear the button," then they expelled him. That is the end of your review authority. You have no right to say that that is an irrational or capricious or arbitrary rule of the particular credit union.

Mr. GANNON. I think we probably could say that, but we probably could not sustain any objection to it, because the members have acted according to the provisions of the bylaws and the law. It is a membership organization and the members vote to admit me to membership, and they have the right to expel me. The statute does not set forth any standards for expulsion.

Mr. MULTER. Don't you think that we ought to do something to prevent that kind of a situation, particularly since these are all membership associations? At the same time if you expel a man from a credit union, you are actually putting a blot on his character and integrity in that community and I do not think it should be done for capricious and arbitrary reasons. I think you agree with me.

Mr. GANNON. I certainly do.

Mr. MULTER. I think you ought to have the right to review that sort of thing if it should happen. I do not know of any instances where it has happened.

Mr. GANNON. No, it has not.

Mr. MULTER. I think you ought to have the right to review.

Mr. GANNON. Fortunately, it has not happened and I hope it will never come to pass because we think about credit unions as being the most democratic of all institutions. I would certainly agree that it does blot a man's character to be expelled, especially on a capricious charge. I would only say to you that under present law we would certainly do everything in our power to see that the credit unions act in the best interests of all their members. The language of this amendment bothers us because it seems to put upon us a burden without setting forth standards.

Mr. MULTER. Well, then, possibly your objection ought to be to suggest standards rather than to suggest elimination of the section.

Mr. GANNON. Well, we did indicate in the last sentence that this is a consideration.

Mr. MULTER. Yes, sir, that is all. Thank you.

Mr. PATMAN. I believe you brought out that it requires the attendance of two-thirds of the members, or at least requires a vote of two-thirds of the members of a credit union to expel a member.

Mr. GANNON. That is right, Mr. Chairman.

Mr. PATMAN. And that meeting must be called for that particular purpose?

Mr. GANNON. Yes, sir.

Mr. PATMAN. Then it occurs to me that the member has pretty good protection when he has all those safeguards.

It is almost inconceivable that two-thirds of the members would take a capricious action of any kind. Of course were there to be cases like that, we should consider it, but I believe you have said you have never had a case so far?

Mr. GANNON. No, we have not.

Mr. PATMAN. Now, with regard to the central credit unions, we had one of our witnesses the other day, Mr. Girvan, the director from Pennsylvania, testify on the central credit union idea. He stated:

In attempting to borrow for this purpose, many credit unions experience a serious problem, due to the reluctance of other financial institutions to make loans to credit unions, and the difficulty, delay and restrictions applicable to such loans as made by such institutions.

He further said: As a result, credit unions desiring to use their borrowing privileges must often seek loans from other credit unions and in so doing they frequently encounter the experience of being forced to make a number of loans in small amounts from several credit unions. This is caused by the fact that credit unions with funds in excess of their own member needs, find it a desirable and provident business procedure to invest their funds in U.S. Government bonds and obligations and other insured savings and loan institutions. In this manner they make some return while retaining a reasonable amount of cash to meet their own needs.

Do you have any knowledge, yourself, Mr. Gannon, of credit unions finding it difficult to obtain funds from other financial institutions?

Mr. GANNON. No, we have not, Mr. Chairman. I am sorry that I do not have with me a study of this activity that we made for our own annual report some years back but I would be happy to furnish it to the committee.

Mr. PATMAN. We shall be glad to have it.

(The data requested above is as follows:)

[Excerpts from 1953 Report of Operations, Federal Credit Unions, published by Bureau of Federal Credit Unions, U.S. Department of Health, Education, and Welfare]

BORROWINGS BY FEDERAL CREDIT UNIONS DURING 1953

All operating Federal credit unions were requested to submit a supplementary report on their borrowings during 1953. The questionnaire and instructions called for information as to the amount, source, period, contract rate of interest, and type of collateral, if any, for each loan negotiated. They were specifically requested to exclude all short-term loans for the purpose of providing change on pay days.

Usable returns were received from 5,076 or 77 percent of the 6,578 operating Federal credit unions at the end of 1953. Of those that reported, 3,360 or 66 percent stated they had borrowed no capital funds during the year. The 1,716 Federal credit unions that borrowed reported on 3,878 loans for an aggregate

amount of \$35,473,573. Since this study covered a substantial majority of all operating Federal credit unions, the findings are considered to be representative of their experience in borrowing capital funds during 1953. No previous credit union study of this nature or magnitude has ever been made.

The size distribution of loans included in this study is shown in the following schedule:

Size of loans to Federal credit unions during 1953

Size of loan	Number of loans		Amount of loans	
	Percentage	Cumulative percentage	Percentage	Cumulative percentage
Less than \$500.....	1.7	1.7	0.1	0.1
\$500-\$999.....	3.0	4.7	.2	.3
\$1,000-\$2,499.....	25.2	29.9	4.3	4.6
\$2,500-\$4,999.....	19.4	49.3	6.8	11.4
\$5,000-\$9,999.....	22.2	71.5	13.4	24.8
\$10,000-\$24,999.....	20.2	91.7	28.5	53.3
\$25,000-\$49,999.....	4.8	96.5	15.4	68.7
\$50,000-\$99,999.....	2.5	99.0	15.5	84.2
\$100,000-\$199,999.....	.8	99.8	9.2	93.4
\$200,000 and above.....	.2	100.0	6.6	100.0
	100.0	-----	100.0	-----

Nearly 30 percent of the number of loans were for less than \$2,500; 70 percent of the number and nearly 25 percent of the aggregate amount were in loans of less than \$10,000; 91 percent of the number and 53 percent of the aggregate amount were in loans of less than \$25,000.

Less than 20 percent of the loans below \$50,000 were secured. The proportion of secured loans in each size category for \$50,000 and above was as follows: \$50,000 to \$99,999, 43 percent; \$100,000 to \$199,999, 48 percent; and \$200,000 and above, 89 percent. More than half the loans of less than \$5,000 were for rates of interest in excess of 3 percent; and more than half the loans of \$5,000 and above were at rates of interest of 3 percent per annum or less. About two-thirds of the loans in all size categories were for periods of 6 months or less.

Other credit unions provided more than half the loans in the five size categories between \$500 and \$24,999. Banks made more than half of all loans above \$25,000, and thus provided about 47 percent of the aggregate amount borrowed by all Federal credit unions during 1953. None of the loans from savings and loan associations exceeded \$25,000. Most of the loans from this source were between \$2,500 and \$4,999, and accounted for about 5 percent of all loans in this size category.

A more detailed analysis of the interest rates on these loans is presented in the following schedule:

Interest rates on loans to Federal credit unions during 1953

Interest rate per annum	Number of loans		Amount of loans	
	Percentage	Cumulative percentage	Percentage	Cumulative percentage
Less than 1 percent.....	1.2	1.2	0.4	0.4
1-1.9 percent.....	1.1	2.3	.2	.6
2-2.9 percent.....	2.6	4.9	10.1	10.7
3-3.9 percent.....	43.0	47.9	50.5	61.2
4-4.9 percent.....	38.5	86.4	32.5	93.7
5-5.9 percent.....	8.5	94.9	4.7	98.4
6-6.9 percent.....	4.9	99.8	1.4	99.8
7-7.9 percent.....	.1	99.9	.1	99.9
8-8.9 percent.....	.1	100.0	.1	100.0
Total.....	100.0	-----	100.0	-----

The most frequent rate was 3 to 3.9 percent which accounted for 43 percent of the total number and 50 percent of the aggregate amount of all loans. The next most frequent rate was 4 to 4.9 percent which accounted for 38 percent

of the number and 32 percent of the amount of all loans. More than 86 percent of the number and 93 percent of the amount of all loans were at rates below 5 percent. It is significant to note that of the total sample of 3,878 loans only 5 were at rates between 7 and 7.9 percent and only 2 were at rates between 8 and 8.9 percent.

The period of the loan apparently had little influence on the interest rate. In all rate categories except one the proportion of loans for periods of 6 months or less varied from 61 to 100 percent. Sixty-five percent of the loans at 1 to 1.9 percent were for periods in excess of 6 months. This rate category, however, accounted for only 1 percent of the number and 0.2 percent of the amount of all loans.

Security was a significant factor in only one rate category. Fifty-three percent of the number and 90 percent of the amount of loans at 2 to 2.9 percent were secured. This rate category accounted for 2 percent of the number and 10 percent of the amount of all loans. Less than 13 percent of the loans in all other rate categories were secured.

The distribution of the loans by rate of interest and principal source is shown in the following schedule :

Interest rates and principal sources of loans to Federal credit unions during 1953

Interest rate	Distribution of loans by principal sources					
	Percentage of number			Percentage of amount		
	Other credit unions	Banks	Savings and loan associations	Other credit unions	Banks	Savings and loan associations
Less than 1 percent.....	2.1			2.1		97.9
1-1.9 percent.....	92.7			82.2		17.8
2-2.9 percent.....	26.3	51.5	6.1	4.3	92.4	2.8
3-3.9 percent.....	71.7	22.3	.9	53.9	44.1	1.7
4-4.9 percent.....	53.4	35.0	4.0	40.0	53.3	4.1
5-5.9 percent.....	5.4	80.1	6.6	5.8	85.2	3.7
6-6.9 percent.....	11.1	79.4	.5	7.6	85.8	5.6
7-7.9 percent.....		100.0			100.0	
8-8.9 percent.....		100.0			100.0	

The category "Other sources of loans" includes individuals, labor unions, employers, and unclassified sources.

The sources of the loans and the practice concerning security are shown in the following schedule :

Source of loans to Federal credit unions during 1953

Source	Percentage distribution		Percentage unsecured	
	Number	Amount	Number	Amount
Other credit unions.....	54.1	41.2	98.1	97.4
Banks.....	35.3	54.3	76.2	55.8
Savings and loan associations.....	2.7	1.3	1.0	1.5
Individual.....	4.2	1.2	99.4	99.7
Employers.....	1.7	1.1	97.0	97.0
Labor unions.....	.5	.2	100.0	100.0
Unclassified.....	1.5	.7	93.2	94.7
Total.....	100.0	100.0	87.8	73.5

Other credit unions and banks were the principal sources of loans, and together accounted for 89 percent of the number and 95 percent of the amount of all loans. More than 87 percent of the number and 73 percent of the amount of loans from all sources were unsecured. It appears to be the general practice for savings and loan associations to require security for all loans. The

sample included only one unsecured loan in the amount of \$7,000 from this source.

Although less than 13 percent of the number and 27 percent of the amount of all loans were secured, the type of collateral used and its apparent influence on interest rates are significant. The findings of the study in these two respects are shown in the following schedule:

Types of collateral related to interest rates on loans to Federal credit unions during 1953

Security	Percentage of—		Percentage distribution by rate of interest			
			3 percent or less		Over 3 percent	
	Number	Amount	Number	Amount	Number	Amount
None.....	87.8	73.5	46.8	51.4	53.2	48.6
U.S. bonds.....	5.7	21.6	78.3	96.8	21.7	3.2
Savings and loan shares or certificates.....	4.7	3.7	29.1	50.7	70.9	49.3
Notes of members.....	1.5	1.0	47.5	52.2	52.5	47.8
Unclassified.....	.3	.2	75.0	80.0	25.0	20.0
Total.....	100.0	100.0	47.9	61.2	52.1	38.8

United States bonds were pledged as security for about 5 percent of the number and 21 percent of the amount of all loans, and it appears that this type of collateral had a significant influence on the rate charged. This seems to indicate an important advantage of registered and bearer-type Treasury bonds as investments for Federal credit unions. The influence of other types of collateral on interest rates is not clearly indicated by the study.

The loans were for short periods. This is clearly indicated by the following schedule.

More than 75 percent of both number and amount of all loans were for periods of 6 months or less. (In the period classifications discussed above, demand loans were included with those for periods in excess of 6 months.) Banks made 58 percent of the number and 77 percent of the amount of all loans with maturities of 3 months or less. More than half of all loans in this time category were for rates in excess of 3 percent and 18 percent of them were secured, which is the highest for the 6 categories.

Certain regional differences in the proportion of borrowing Federal credit unions, sources of loans, and rates of interest were disclosed by the study. These differences are indicated by the data shown in the following schedule:

Borrowings by Federal credit unions in selected States during 1953

State	Percentage of Federal credit unions that borrowed	Percentage distribution of loans by source				Percentage distribution of loans by rate of interest				
		Other credit unions	Banks	Savings and loan associations	Other	Less than 3	3-3.9	4-4.9	5-5.9	6 and over
California.....	36.7	50.0	38.2	3.9	7.9	0.6	37.6	48.8	9.1	3.9
Connecticut.....	38.3	56.3	41.9	6.6	1.2	20.4	68.8	6.6	3.0	1.2
District of Columbia.....	37.2	57.7	28.9	6.2	7.2	25.8	33.0	35.0	3.1	3.1
Hawaii.....	39.3	96.9	1.1	1.0	1.0	1.1	96.9	1.0	1.0	---
Kansas.....	45.2	67.5	16.9	---	15.6	---	25.3	63.9	8.4	2.4
Michigan.....	40.6	75.4	21.7	1.1	1.8	4.0	64.5	27.2	1.8	2.5
New Jersey.....	34.4	46.4	38.1	3.6	11.9	8.2	59.8	18.6	7.2	6.2
New York.....	29.2	56.3	38.2	3.3	5.2	5.2	66.7	16.4	8.3	3.4
Ohio.....	26.8	62.7	26.8	2.8	7.7	7.7	28.9	54.2	8.5	7.7
Pennsylvania.....	32.1	56.6	30.2	4.1	9.1	1.7	26.9	56.9	7.1	7.4
Texas.....	44.1	40.8	49.7	1.2	8.3	2.4	59.9	23.7	8.8	5.2
Washington.....	36.9	54.5	40.3	5.2	---	---	5.2	76.6	13.0	5.2

Period of loans to Federal credit unions during 1953

Loan period in months	Number of loans		Amount of loans		Percentage distribution of number by source		
	Per- cent- age	Cumu- lative percent- age	Per- cent- age	Cumu- lative percent- age	Other credit unions	Banks	All other
3 months and less.....	47.3	47.3	49.5	49.5	29.2	58.8	12.0
4 to 6.....	28.0	75.3	25.7	75.2	72.5	18.9	8.6
7 to 9.....	2.5	77.8	1.9	77.1	67.7	14.6	17.7
10 to 12.....	14.8	92.6	12.9	90.0	88.4	4.2	7.4
Over 12.....	1.3	93.9	1.0	91.0	82.4	9.8	7.8
Demand.....	6.1	100.0	9.0	100.0	67.9	18.6	19.5
	100.0	-----	100.0	-----	-----	-----	-----

Although reports on borrowing were received from Federal credit unions in all States, the number of loans was too small for some States to constitute an adequate sample. The above schedule includes all States that had 2 percent or more of all loans made to Federal credit unions during 1953 as shown by the study. The range was from 12.5 percent for California to 2 percent for Washington. The selected States included 65 percent of all operating Federal credit unions at the end of 1953 and accounted for 71 percent of all loans included in the study.

The percentage of Federal credit unions that borrowed was highest for Kansas with 45.2 percent, and lowest for Ohio with 26.8 percent.

Federal credit unions in Texas obtained 40 percent of their loans from other credit unions and 49 percent from banks. In Hawaii, 96 percent of the loans were obtained from other credit unions and only 1 percent from banks. In the District of Columbia 6 percent of the loans were from savings and loan associations, whereas none were obtained from this source by Federal credit unions in Kansas.

One-fourth of the loans obtained by Federal credit unions in the District of Columbia were at interest rates less than 3 percent. Loans at less than 3 percent accounted for one-fifth of all the loans obtained by those in Connecticut. There were no loans at rates below 3 percent reported in Kansas. Loans at rates between 3 and 3.9 percent accounted for more than half of all loans reported by Federal credit unions in Connecticut, Hawaii, Michigan, New Jersey, New York, and Texas—led by Hawaii with 96 percent. More than half of the loans reported for Kansas, Ohio, and Pennsylvania were at rates between 4 and 4.9 percent. Loans at rates between 5 and 5.9 percent accounted for a higher percentage of all loans in California than in any other of the 12 States, but the percentage in this rate category was only slightly lower in Kansas, New York, Ohio, and Texas. The highest percentage of loans at rates of 6 percent and over was reported for Pennsylvania with 7 percent and the second highest for New Jersey with 6 percent.

When the Federal credit unions that reported on their borrowings during 1953 are grouped by size of assets, a number of significant and interesting facts are disclosed. The proportion of borrowers was lowest for those with assets of less than \$10,000, ranging from 2.9 percent for the group with less than \$1,000 in assets to 17.5 percent for the group with assets between \$5,000 and \$9,999. More than 40 percent of the reporting Federal credit unions with assets of \$100,000 or more were borrowers. Those with assets of less than \$25,000 accounted for 13.2 percent of the total number and 2.3 percent of the total amount of borrowings. More than 90 percent of the number of loans to Federal credit unions with assets of less than \$100,000 were unsecured. Those with assets of \$1 million or more had the lowest percentage of unsecured loans with 58 percent.

The largest Federal credit unions obtained more of their loans at interest rates of 3 percent or less, which is further confirmation of an earlier observation that certain types of security apparently have an advantage in negotiations with lending institutions on interest rates. More than half of the loans to Federal credit unions with assets of \$250,000 or more were at rates of 3 percent or less. Those with assets of less than \$25,000 had a larger proportion of loans with maturities in excess of 6 months than the average for the whole sample, while those with assets of \$25,000 or more had a smaller proportion.

The characteristics of the loans to Federal credit unions grouped by amount of assets at the end of 1953 are shown in the following schedules.

Federal credit union borrowings during 1953 grouped by amount of borrowers' assets as of Dec. 31, 1953

Size of assets of reporting Federal credit unions	Percentage		Percentage distribution of loans during year		Percentage of number		Percentage of number		Percentage of number	
	Borrowers	Nonborrowers	Number	Amount	Unsecured	Secured	3% or less	Over 3%	6 months or less	Over 6 months
Less than \$1,000.....	2.9	97.1	0.1	-----	100.0	-----	50.0	50.0	-----	30.0
\$1,000 to \$2,499.....	5.0	95.0	.2	-----	100.0	-----	28.6	71.4	57.1	42.9
\$2,500 to \$4,999.....	12.8	87.2	.9	0.1	100.0	-----	25.7	74.3	54.3	45.7
\$5,000 to \$9,999.....	17.5	82.5	2.6	1.9	97.0	3.0	47.5	52.5	54.5	45.5
\$10,000 to \$24,999.....	28.3	71.7	9.4	4.1	94.8	5.2	44.5	55.5	65.8	34.2
\$25,000 to \$49,999.....	35.1	64.9	14.6	8.6	92.7	7.3	44.8	55.2	76.1	23.9
\$50,000 to \$99,999.....	37.5	62.5	20.1	17.9	91.7	8.3	40.7	59.3	76.9	23.1
\$100,000 to \$249,999.....	42.0	58.0	24.1	19.5	86.4	13.6	46.1	53.9	76.1	23.9
\$250,000 to \$499,999.....	47.5	52.5	14.4	20.7	88.9	11.1	54.7	45.3	75.3	24.7
\$500,000 to \$999,999.....	49.8	50.2	8.3	20.9	78.4	21.6	54.9	45.1	87.3	12.7
\$1,000,000 or more.....	42.2	57.8	5.3	-----	53.0	42.0	72.0	28.0	75.4	24.6
Total average.....	33.8	66.2	100.0	100.0	87.8	12.2	47.9	52.1	75.2	24.8

Nearly half of the reporting Federal credit unions (49.7 percent) borrowed only once during 1953. The loans to this group of credit unions, however, accounted for only 18.1 percent of the total amount borrowed. Those that borrowed from two to five times during the year accounted for 44.2 percent of the number of borrowing Federal credit union and 48.8 percent of the total borrowings. Only 6.1 percent of the Federal credit unions included in the sample borrowed more than five times during the year; their loans, however, amounted to 33 percent of the total amount borrowed.

In general, the larger Federal credit unions borrowed more frequently than the smaller ones. None with assets of less than \$10,000 borrowed more than five times during the year. The large units that borrowed more frequently than the average also borrowed larger amounts. Approximately 10 percent of the reporting Federal credit unions with assets of \$100,000 or more borrowed more than five times during 1953, and these loans accounted for 17.6 percent of the total number and 31.4 percent of the total amount of loans included in the sample.

The analysis of the borrowings by size of Federal credit unions and frequency is shown in the following schedule.

Distribution of Federal credit union borrowings during 1953 by frequency and amount, and by size of borrowers at the end of 1953

Size of assets of reporting Federal credit unions	Frequency of borrowings during the year								Total		
	1 loan		2 to 5 loans		6 to 12 loans		Over 12 loans				
	Number of borrowers	Amount of loans	Number of borrowers	Amount of loans	Number of borrowers	Amount of loans	Number of borrowers	Amount of loans	Number of borrowers	Amount of loans	
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	
Less than \$1,000.....	100.0	100.0								100.0	100.0
\$1,000 to \$2,499.....	100.0	100.0								100.0	100.0
\$2,500 to \$4,999.....	89.7	82.1		17.9						100.0	100.0
\$5,000 to \$9,999.....	75.7	65.5	10.3	34.5						100.0	100.0
\$10,000 to \$24,999.....	55.9	43.2	24.3	55.9						100.0	100.0
\$25,000 to \$49,999.....	54.6	34.7	43.7	56.0	0.4	0.9				100.0	100.0
\$50,000 to \$99,999.....	47.4	26.3	41.7	59.5	3.7	9.3				100.0	100.0
\$100,000 to \$249,999.....	43.0	21.7	49.6	58.1	4.0	8.7				100.0	100.0
\$250,000 to \$499,999.....	44.5	19.7	45.5	56.0	7.4	20.2	1.2	5.5		100.0	100.0
\$500,000 to \$999,999.....	38.5	14.6	47.1	40.4	8.6	20.5	1.4	3.8		100.0	100.0
\$1,000,000 or more.....	32.6	9.8	44.2	39.3	11.5	32.8	2.9	12.2		100.0	100.0
					11.6	27.1	11.6	23.8		100.0	100.0
Total/average.....	49.7	18.1	44.2	48.8	5.2	22.9	.9	10.2		100.0	100.0

When the reporting Federal credit unions are grouped by year chartered and are compared with the percentage distribution of all operating Federal credit unions as of December 31, 1953, it appears that the sample was well distributed by age groups.

Borrowing Federal credit unions chartered prior to January 1, 1942, accounted for 52.4 percent of the total number and 67.1 percent of the total amount of loans included in the study. This is explained by the fact that in general the older units are the larger ones. Except for those chartered during the war years, a larger percentage of the older Federal credit unions pledged security for their loans. It appears that size rather than age is the reason for this variation. The older and larger units borrowed more frequently and in larger amounts, and these Federal credit unions pledged their long-term investments in U.S. bonds in order to obtain lower interest rates. In general, it may be concluded that new units are not being required to pledge security for their loans to a greater extent than the well-established credit unions. The numbers of Federal credit unions that were chartered during the war years and were in operation at the end of 1953 are too small to constitute a significant sample.

The distribution of the sample used in this study by age groups is shown in the following schedule.

Federal credit unions that borrowed during 1953 grouped by year chartered

Year chartered	Percentage distribution of all Federal credit unions on Dec. 31, 1953	Percentage distribution of reporting Federal credit unions Dec. 31, 1953	Percentage		Percentage of total loans		Percentage of number	
			Borrowers	Non-borrowers	Number	Amount	Unsecured	Secured
1935	9.3	10.1	39.9	60.1	13.5	25.1	77.0	23.0
1936	9.0	9.5	31.2	68.8	10.3	11.9	83.7	16.3
1937	5.9	6.1	36.0	64.0	6.9	10.9	84.2	15.8
1938	4.9	5.2	26.0	74.0	3.9	3.1	88.7	11.3
1939	6.1	5.4	33.1	66.9	6.1	5.7	84.3	15.7
1940	6.0	6.5	33.8	66.2	6.8	6.2	90.9	9.1
1941	4.7	4.8	35.4	64.6	4.9	4.2	86.2	13.8
1942	1.5	1.5	35.9	64.1	1.5	.9	86.2	13.8
1943	.7	.6	26.8	73.2	.5	.2	95.2	4.8
1944	.6	.9	38.7	61.3	.7	.9	58.6	41.4
1945	1.0	1.6	39.6	60.4	1.1	.7	63.6	36.4
1946	1.7	1.6	32.5	67.5	1.6	1.3	93.3	6.7
1947	2.6	2.7	36.2	63.8	3.2	5.8	82.3	17.7
1948	4.3	4.6	38.1	61.9	4.9	4.1	93.2	6.8
1949	6.8	6.5	39.9	60.1	7.6	4.7	95.9	4.1
1950	7.5	7.4	39.1	60.9	8.1	4.5	95.2	4.8
1951	7.5	6.8	39.0	61.0	7.9	4.0	94.4	5.6
1952	10.0	9.5	33.3	66.7	7.4	4.9	93.1	6.9
1953	10.9	9.5	17.8	82.2	3.1	.9	98.3	1.7
Total/average	100.0	100.0	33.8	66.2	100.0	100.0	87.8	12.2

Mr. GANNON. On the source of borrowing by credit unions, I direct your attention to our last annual report, December 31, 1957. Our new one is in the process of being printed. At the end of December 31, 1957, credit unions had notes payable—this was Federal credit unions—of \$41 million and some. They also had as an asset, loans to other credit unions, \$38,800,000, roughly. So this does indicate that they have the opportunity to borrow from other credit unions, and that they certainly are borrowing from other sources as well, because this is just Federal credit unions.

But this study we made did indicate the sources of borrowing by credit unions, and we would be happy to furnish this study to you.

Mr. PATMAN. We would like to have it. If you furnish it, we will put it in the record.

On the question of the loan limit of \$400, I happened to be the author of the bill to raise it to \$400 in 1949 from \$300.

Mr. GANNON. That is right.

Mr. PATMAN. We did not experience too much difficulty at that time, and since that time the value of our money has gone down, incomes have gone up, and a lot of other changes have taken place in our economy. I was hoping that you would agree that \$1,000 would not be unreasonable, in view of the changes in our economy since that time over the period of the past 10 years. The situation has become extremely difficult in more ways than one; and money, of course, is not as valuable as it used to be.

You would not be willing to raise that amount on your recommendation? You think that \$400 is sufficient?

Mr. GANNON. \$500, Mr. Chairman.

Mr. PATMAN. Oh, that is right, you did recommend \$500.

Mr. GANNON. Yes.

Mr. PATMAN. Of course, you took issue with us on the \$1,000 proposed in the bill. Well, of course, that is a matter for the committee to decide and whatever the committees of Congress do, you would be glad to work with?

Mr. GANNON. Yes, indeed.

Mr. PATMAN. Yes, sir.

On page 4 of your testimony, you state—

We do not believe that the president should select the members of the supervisory committee who will be auditing his administration and we would, therefore, suggest an amendment to provide for a supervisory committee of three members to be elected by the board of directors.

Under existing rules and regulations of the credit unions and under the law applying thereto, that committee is composed of five members, is it not?

Mr. GANNON. At least three.

Mr. PATMAN. I mean the whole committee is composed of five members.

Mr. GANNON. The board of directors.

Mr. PATMAN. The committee that these three must be selected from is composed of five members.

Mr. GANNON. Yes, the board of directors must have a minimum membership of five. But the supervisory committee has a minimum membership of three.

Mr. PATMAN. If you select three from five that is cutting it pretty thin.

Mr. GANNON. It was not our intention that the three would necessarily be taken from the five. It was our intention to suggest that the board of directors, the five or more, would select——

Mr. PATMAN. Three from the outside, perhaps.

Mr. GANNON. Would select three, rather than having the president, the individual, select the three, and then having them ratified by the board.

Mr. PATMAN. Yes, sir, fundamentally I think that would be very bad for the president to do. I have a good example of it. I will not involve you in any Federal Reserve question, but I might observe that the Federal Reserve System for 46 years has never had its books audited by independent auditors or by the General Accounting Office of the Government. They have handled hundreds of billions of dollars of Government money, printed over at the Bureau of Engraving and Printing, and the only audits they have had are audits where they themselves have selected the auditors and given the auditors their instructions, and the auditors made reports only to the Federal Reserve itself.

I have some very firm convictions on these matters.

Mr. GANNON. This is a little bit of our concern when the president would select the members of the supervisory committee who would be auditing his administration. It is not quite as independent as if the members were selected at least by the board of directors.

Mr. PATMAN. That is right. In these organizations, I am just amazed to find so few problems coming up, so few charges of misconduct or misappropriation of funds. You never hear of them at all.

Mr. GANNON. That is very true, Mr. Chairman. I can say that, working with the Bureau and working with the Federal credit unions, as we do, is a real pleasure, because we encounter such dedicated people who want to do a real job.

Mr. PATMAN. Yes, sir.

Mr. GANNON. And they create very, very few problems for us. It is just a pleasure.

Mr. PATMAN. And we do not want to loosen things up to a point where there would be more inducements or opportunities for some dishonest person to take advantage of it. I agree with you on that.

You take 20,000 Federal and State credit unions with 10 million members, it is a remarkable record that you would have so few charges of misconduct or misappropriation of money.

Mr. GANNON. Yes, sir, I take great pride, Mr. Chairman, in analyzing our activities.

Mr. PATMAN. Do you find that the credit unions pay their way, too?

Mr. GANNON. They do.

Mr. PATMAN. There are no appropriated funds, either through the back door or the front door, to take care of them. They pay their own way.

Mr. GANNON. That is right.

Mr. PATMAN. Are there other questions?

Mr. MILLER. Mr. Chairman, I wonder if I might pursue this matter of the Federal Central Credit Union a little further.

Mr. Girvan the other day, and I think Mr. Woodman, referred to the fact that not only do they have these concrete stumbling blocks in the way of financing and securing additional sources of loan money, but also that this process is extremely laborious. Would you care to comment on the experience that you have had with the laborious nature of securing these loans in a State or area, where there is need for immediate financing?

Mr. GANNON. I cannot comment because I know of no situations that fall in that category.

Mr. MILLER. This seems to be so typical, in which your own personal experience does not conform to that of other witnesses who appear before us who say they have had experience on this.

Other witnesses have told us this and they have alluded to this. I cannot understand why they have not called this to your attention.

Mr. GANNON. Of course, it is conceivable. We have over 9,000 Federal credit unions and of course, they are scattered throughout all of the States and Territories.

Mr. MILLER. I see the CUNA witness is sitting back there. I hope he will take due note of the fact that you are not aware of the laborious nature of making these loans and also of the fact that there are no difficulties in other areas. Thank you, Mr. Chairman.

Mr. PATMAN. Thank you, sir.

Any other questions, gentlemen?

If not, thank you very much, Mr. Gannon. We appreciate your testimony.

Mr. GANNON. Thank you. I appreciate the opportunity of coming here, Mr. Chairman.

Mr. PATMAN. I see the Honorable Mr. Oliver of Maine is here. He mentioned to me that he would like to testify. Would you like to testify at this time, Mr. Oliver?

Mr. OLIVER. I would like to make a very brief statement with the permission of the committee to insert in the record a more detailed statement.

Mr. PATMAN. You may do so, Mr. Oliver.

STATEMENT OF HON. JAMES C. OLIVER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. OLIVER. Mr. Chairman, it is a real pleasure for me to be here on this particular mission. I want to say that I fully support the objectives of this pending legislation. It is interesting to note that in the State of Maine we have some 50,000 people who are now members of State credit unions and Federal credit unions and that they have been working out their own destiny so to speak, as far as credit facilities are concerned and doing very well at it.

Some 20 years ago I took enough interest to try to get more credit union organizations in my State, particularly along the coast, where we have a lot of individual fishermen who do not have credit facilities very much available to them and, as a result of that, I felt that at least we made some progress toward more credit union organizations.

I would like to say, Mr. Chairman, that so far as the details of this legislation are concerned, I am not competent, perhaps, to make any recommendations.

I feel a great deal of confidence as I look over the personnel of the subcommittee. I know that the interest of our people is going to be protected, and I am very happy for the opportunity of making this appearance to say that the people of my State whom I have contacted in the present credit union organizations—and that includes every single credit union organization in my district—those who have replied to my inquiries about this legislation have supported it without any reservation whatsoever and I am very glad to bring that forward for your consideration.

I ask permission that I may be allowed to introduce a more detailed statement before the record is completed.

Mr. PATMAN. Without objection, it is so ordered.

Mr. OLIVER. Thank you very much.

Mr. PATMAN. Thank you, Mr. Oliver.

(The additional statement to be supplied by Mr. Oliver follows:)

STATEMENT OF HON. JAMES C. OLIVER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE IN SUPPORT OF H.R. 5777 AND OTHER BILLS WHICH WOULD AMEND THE FEDERAL CREDIT UNION ACT OF 1934

Mr. Chairman, the 25-year history of the Federal credit union movement in the United States has been one of the solid accomplishment and growth. Credit unions have provided a much needed haven for the small borrower and investor. Too often people of moderate means have been compelled to submit themselves to the harsh terms, demanded by small-loan operators. Through Federal credit unions, which today boast a membership of 10 million families in 9,539 separate organizations, small-loan needs of people in moderate circumstances are met through these cooperative organizations for saving and loaning at reasonable rates.

These organizations have filled a void in the economic-structure of our country. The Federal Credit Union Act of 1934 not only furnished a set of rules governing the regulation of credit unions in States which had no laws on the subject, but also established a standard which State legislatures have followed in setting up their own regulatory laws. The act has stood up well during its 25-year history. However, because of the many changes in our country's economic structure, a number of refinements in the present law are definitely required.

H.R. 5777, introduced by the distinguished chairman of this subcommittee, is widely endorsed by the Credit Union National Association and by officials of the local credit unions. This measure would provide for 22 separate changes in the present law, most of which are minor in effect but important for expanded operations of our local credit unions.

The most important changes deal with the urgent necessity for credit unions to expand their loan operations. The rise in the cost of living, especially as found in sudden or unexpected hospitalization and medical expenses, as well as the increased costs of home expenses, appliances, etc., points up the need for raising credit union maximum loan limits from \$400 to \$1,000 and maximum loan duration from 3 to 5 years. These changes are urgently required to prevent credit union members from having to turn elsewhere for economic assistance at increased financing costs.

The most important refinement provided through the proposed legislation is to extend to Federal credit unions a right already enjoyed by State-chartered organizations, that of investing in central credit unions. This will enable individual credit unions to meet more adequately local and seasonal credit requirements. The central credit unions would provide a reservoir of funds to assist during heavy borrowing periods, as well as making flexible the transfer of credit facilities from areas where funds are in excess to areas where credit is needed.

I have made an effort to contact all credit unions within my congressional district. Every reply which I have received has been enthusiastically in favor of this legislation. It seems to me that the overwhelming support for this measure evidenced by those who are familiar with credit-union needs is the most effective testimony as to the necessity for its passage. Consequently, I urge

the subcommittee to approve this needed progressive legislation in the interests of cooperative saving and loaning facilities for these most representative citizens of America, the membership of the credit unions of the United States.

Mr. PATMAN. I assume this is all the testimony we have on this bill that we have been requested to hear.

A number of members have sought an opportunity to appear and testify who were unable to do so because of conflicts in their own committee hearings, but they are going to file statements for the record. Without objection, those statements will be made part of the record, along with such other material which they may present that may be pertinent to this inquiry.

Is there anything else, gentlemen, before we close the hearings?

Mr. BURKE. Mr. Chairman, I would like to say one thing about the statement of Mr. Gannon with regard to the matter of sufficiency of FHA and GI loans as collateral for credit-union loans. In Massachusetts they think a GI loan is satisfactory collateral. If you take a \$12,000 mortgage and the Government guarantees that mortgage up to \$7,500 and the GI puts down 10 percent which can be classified as collateral, plus the fact that they have control over that property, we think that that should be classified as A 1 collateral.

Mr. PATMAN. Anything else, gentlemen?

(Additional statements referred to above follow:)

STATEMENT OF HON. EDITH GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mrs. GREEN. Mr. Chairman, members of the committee, I deeply appreciate this opportunity to appear before you in support of H.R. 5777. I do not pose as an expert on the technical problems confronting the credit-union movement in this Nation, but I am fortunate in having an expert to whom I can refer. Among my most distinguished constituents is Dr. E. Dean Anderson, a member of the faculty of Portland State College and a leader in credit-union activities in my State. Dr. Anderson is a director and past president of the Oregon Credit Union League and is currently a national director representing Oregon and vice president of the Credit Union National Association. I am honored to be able to present to this committee, for inclusion in the printed record of these hearings, the following statement prepared by Dr. Dean Anderson:

Credit unions exist to fill two basic economic needs: the need for reasonable credit at reasonable interest rates; and the need to stimulate thrift. In the 25 years that the Federal Credit Union Act has been in operation, thousands of credit unions have been organized under its provisions, and hundreds of thousands of Americans have thereby been able to satisfy their economic needs.

However, times change and 25 years of experience indicate desirable modifications in the act to enable credit unions to perform their services more efficiently for more people. H.R. 5777 proposes several amendments to the Federal act, which credit-union people believe are justified on the basis of this experience.

One of the most important of the proposed changes is that which will authorize the formation of Federal central credit unions. Essentially this proposal will, on a modest scale, apply the Federal

revenue concept to credit unions. This change will provide a much-needed reservoir of credit-union funds.

Another amendment proposes to increase the loan limit from 3 to 5 years. Credit needs have changed over the years, and a 5-year limit will enable credit unions to meet many more needs today than is possible under the old time limit.

The great use of checks which characterizes business activity today has thrown added costs on the credit union—which to do business must cash checks for its members. Yet without the proposed change to permit a reasonable fee for cashing or selling checks, credit unions will be unable to meet the actual costs of providing this service.

As is the case in the proposals so far mentioned, three other amendments will increase the credit union's efficiency, and will enable members to have their needs met promptly and more fully:

A membership chairman, accountable to the board of directors, will close the present time gap which keeps people waiting to become members.

A loan officer will offset the present difficulties encountered by many credit committees (whose members are often widespread), yet will be adequately controlled by the credit union's basic policies.

Declaration of the dividend by the board of directors rather than the general membership will center responsibility for this important decision directly on the board, whose members have the full knowledge of credit-union operations necessary to a sound decision.

In short, the changes proposed in H.R. 5777 are well thought out, they are within the spirit of the original act, they will enable Federal credit unions to offer in their second 25 years even greater service to many additional American workers and families.

I urge the adoption of the bill.

STATEMENT OF HON. HUGH J. ADDONIZIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. ADDONIZIO. Mr. Chairman and members of the committee, it was a pleasure to join in sponsoring legislation to amend and recodify the Federal Credit Union Act. My bill, H.R. 6089, is identical to those introduced by several distinguished colleagues, and there is no need to go into detail concerning its provisions.

This year marks the silver anniversary of the enactment of the Federal Credit Union Act. A proper way to celebrate it is to make the changes that experience has demonstrated are necessary and desirable. The soundness of credit unions has been firmly established, and it is essential that the act be revised to bring it into line with current realities. Credit unions perform their duties most competently, and the proposed changes would enable them to improve some of their methods of operation. The changes have the universal support of the credit unions, and I believe Congress would be amiss in not approving them promptly. I hope that this needed and deserving legislation will be speedily enacted.

The New Jersey credit unions and the other unions throughout the country are a valuable social institution. Numerous tangible and intangible values derive from their operations, not only to their millions of members but to society as a whole. Credit unions inculcate a

spirit of thrift and self-reliance, and have enabled families of modest means to weather financial problems that could otherwise have resulted in dire misery and chaos. Credit unions represent democracy at its best. In our complex modern society, it is important that we encourage the program of mutual self-help and neighborly concern embodied in this system.

Thank you.

**STATEMENT OF HON. WILLIAM H. MEYER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF VERMONT**

Mr. MEYER. Mr. Chairman, I appreciate this opportunity to appear before this subcommittee to speak in support of H.R. 5777 and related bills.

The credit union movement, which this year is celebrating the 50th anniversary of the establishment of the first credit union in the United States, and the 25th anniversary of the Federal Credit Union Act, is an outstanding example of democracy. Money saved and borrowed in the credit union is furnished by members, and controlled by members, on a truly democratic basis.

Since the inception of cooperative ventures under the Rochdale principles, composed in 1844 by a small group of English weavers, cooperatives have grown in number, variety, and quality. In the 25 years since the Federal Credit Union Act, the number of credit unions in the United States has increased ninefold. Membership has increased accordingly; in my own State of Vermont credit-union membership is in excess of 13,000. As you are aware, these financial institutions now have assets of almost \$4 billion. This growth in number and in value is indicative of the significant role played by these institutions. Numerous individuals and families have been helped by these cooperative ventures in saving and consumer finance.

Small loans at low rates of interest have meant financial support in time of need to many members. The provident and productive purposes for which these loans are granted have been purposes which contribute to the economic well-being of a substantial segment of our population.

The Federal Credit Union Act is a measure which contributes to the general well-being of our American families and at the same time serves as a stimulant to the Nation's economy. I believe that it is important that Congress do whatever we can to insure the perpetuation of these groups.

The several proposed bills on which the committee is now holding hearings contain provisions which would bring the governing statute up to date with our changing times, and would, I believe, enable the credit unions to serve their members more effectively. The increase in loan maturities from 3 to 5 years is in keeping with the general trend toward longer maturities; the increase in the unsecured loan limit is also in line with current business practice. The provision for investment by Federal credit unions in the shares of central credit unions would facilitate flexibility of operation; State credit union laws already permit this arrangement in most instances.

As to borrowing by officers, as long as adequate safeguards are established, loans in excess of the amount in the officer's share ac-

count seems a practical provision. Since many credit union loan applications originate because of emergencies, delegation of loan authority is a step forward in facilitating rapid handling of applications.

I believe that legislation to modernize the Federal Credit Union Act, bringing it up to date with the rapid changes which have been occurring in our economy, is important. The successful operation of these financial institutions depends upon adequate statutory provisions. Their contribution to the wise use of individual resources, and their consideration of individual dignity are true exemplifications of the principles upon which this country was founded.

**STATEMENT OF HON. LEONARD FARBSTEIN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. FARBSTEIN. Mr. Chairman, I should like to take this opportunity to submit to this committee a statement in support of the pending legislation to amend the Federal Credit Union Act. As you know, I introduced one of the bills to effect certain changes in this law, believing as I did that these would be constructive amendments and would afford those credit unions operating under Federal charter the opportunity to better serve their members.

Today there are more than 9,000 credit unions operating under the Federal Credit Union Act, with a total membership of over 5,200,000 persons. In New York there are 851 federally chartered credit unions with a combined membership of 446,354.

Credit unions are formed within specific groups of people, who have a common bond of interest such as occupation, association, or acquaintanceship. While employment by the same company or organization is the most common basis for credit union organization, there are also many credit unions serving members of professional, fraternal, and church groups. The plan works well where there is a mutual bond of interest and a need for the thrift and credit service a credit union can render. And those are needs the average working man has.

In my area there are various types of credit unions. We have such in industry, for occupational groups, for members of fraternal orders, church groups, and others. The proposed amendments, if enacted, would afford Federal credit unions an opportunity to improve their service to members.

A few specific instances may be mentioned. For example, the provision for the appointment of a loan officer by the credit committee to approve loans up to the unsecured limit, or otherwise if they are fully secured by shares, would enhance the service to borrowers. The law now requires that all applications for loans must be approved by the credit committee in a meeting called for the purpose. If routine loans, either up to the unsecured loan limit or those fully secured by shares when larger than the unsecured limit, could be handled by a loan officer it would relieve the credit committee to that extent and give more prompt service to members.

I believe it would be advantageous to Federal credit union members to have the loan maturity limit raised from that of 3 years, as is presently provided, to a maximum of 5 years. This would be permissive, of course, but if granted this change could be made use of

under circumstances where a member wants to consolidate indebtedness, or make home improvement loans, or otherwise needs a loan larger than he can repay within the present time limit.

Among the various constructive proposals, another significant one is that to authorize the formation of Federal central credit unions and to permit federally chartered credit unions to invest in central credit unions. This privilege would enable credit unions operating under the Federal Credit Union Act to use surplus funds through a central credit union for the benefit of other credit unions and credit union directors and committeemen.

I should like to again say that I support all the provisions of the proposed legislation, and I hope the committee may see fit to approve them.

STATEMENT OF HON. LEONARD G. WOLF, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. WOLF. Mr. Chairman, I take this opportunity to express my support of H.R. 5777 and related bills, to amend the Federal Credit Union Act, now being considered by this subcommittee.

In my home State there are more than 300 credit unions presently in operation, serving more than 100,000 members. However, only a few of these Iowa credit unions are chartered under Federal law. One of the primary reasons the credit unions in my area prefer to be chartered and operate under the laws of the State of Iowa is that these statutes are far less restrictive than the Federal credit union law, and allow State-chartered credit unions to operate in my area with more flexibility. For instance, the State law imposes no signature loan limitation on credit unions chartered under the Iowa laws. Such limitation is left to the discretion of the board of directors of each credit union. Also, the laws of the State do not specify any limitation on loan maturities, except in the case of real estate loans, in which case the loan maturity limit is 10 years. These State-chartered credit unions are providing invaluable services to the people of my district. Certainly the Federal act should be amended to increase the signature loan limitation from \$400 to \$1,000 and to increase the loan maturity limit from 3 to 5 years.

To my way of thinking this legislation is long overdue. We are all aware of the numerous changes which have been taking place throughout the economy during the past several years—interest rates have been rising, the purchasing power of the dollar has been decreasing, consumer credit has been on an upward trend as more and more consumer goods become available and more and more American families seek to improve their standard of living. There has been a steady growth in the number of American families who can afford at least some of the comforts once associated with the highest positions in society. The credit unions have contributed their fair share toward this increased number. This cooperative movement is truly a "grassroots" program. People in all walks of life—in schools, churches, manufacturing, and in many occupations have had their needs and desires met through credit union loans and savings.

We are today faced with the necessity for formulating some sound methods for guiding the continued growth of our economy at a rate

which will assure an adequate supply of goods and services at reasonable prices while at the same time preventing inflation. The accomplishment of this goal of economic stability depends upon the assistance of all segments of the economy—the lenders, the industrial producers, the farmers, the distributors, the small businesses and the large. The modernization of Federal credit union legislation can do much to assist in this endeavor, by facilitating the efficient operation of the individual credit unions. At the same time, an increased supply of loan funds would be made available for the “provident and productive purposes” of low- and middle-income families and individuals. The “self-help” quality of these institutions is a refreshing and welcome part of the economic and social scene.

During the 25 years of Federal credit unions, and the even longer period in which some of the State credit unions have operated, these financial institutions have performed a much-needed service. It is because of the real need for the services of these institutions that they have achieved such an enviable record of growth, both in membership and assets. Perhaps the most important factor accounting for this tremendous growth is the credit union’s willingness to make loans to individuals for purposes which would not be acceptable to most other lenders—and at interest rates which are usually much lower than the interest charges required by commercial or mutual banks. In summary, these groups have fostered and encouraged thrift through regulated savings and prudent economic management of individual credit and financial resources. Such purposes must be served if we are to maintain a healthy economy which meets the needs of all levels of our population.

In view of the rapid changes which have been occurring in our economy, it is expedient that revisions be made in the structure of credit union operations, such as those contained in H.R. 5777. The losses suffered on unsecured loans made by credit unions have not been out of line with those of other financial institutions. Therefore, an increase in the unsecured loan maximum from \$400 to \$1,000 is warranted, and not unduly risky. Likewise, I believe that investment in shares of central credit unions does not carry with it any undue risk. Rather, it will provide additional dividend income and will make funds available where they are most in demand, following the natural economic course of resources flowing into areas where they can be the most productive.

Still another important proposal made by H.R. 5777 is the extension of loan maturities from 3 to 5 years. This lengthening of the period of time within which loans may be repaid is in keeping with extended periods for home mortgage repayments and other consumer installment purchases.

All of these provisions upon which I have touched, and others contained in the proposed legislation, will facilitate more adequate servicing of the credit needs of millions of individuals. We would be remiss in our duty if we did not furnish these credit cooperatives with all the assistance which can be made available through the revision of the Federal statute to bring its provisions in line with the changing times. There is no question with regard to the Federal expenditures for these cooperatives—they are self-supporting entities, under the general supervision of the likewise self-sustaining bureau of the Federal credit unions. There is no question, either, with regard to the

essentiality of the services rendered by these financial institutions. Approval of this proposed legislation will underscore our belief in the basic principles upon which our whole economic and social structure has been built—the perpetuation of the ideals of equality of man, freedom of opportunity and unselfish cooperation.

STATEMENT OF HON. JEFFERY COHELAN, A REPRESENTATIVE IN CONGRESS FROM THE SEVENTH DISTRICT OF CALIFORNIA

Mr. COHELAN. Mr. Chairman, thank you for the opportunity to state my support for your bill, H.R. 5777, and for my own companion bill, H.R. 7009.

Of the 9,539 Federal credit unions in the United States today, over 1,600 or more than 16 percent are in the State of California. Over 10 million families throughout the country belong to these credit unions and more than 1 million members live in the State of California. These figures—like those from throughout the country—reflect the remarkable degree to which people of modest means have responded to the credit union program. They make it quite clear that the State of California has an unusually high interest in credit unions and also in their improvement.

Credit unions embody in the simplest manner a tenet of our democratic tradition, namely the right of plain citizens to join together for mutual benefit. The legislation here under consideration is nothing more or less than a proposal to perfect and strengthen this well-established institution. It would also increase loan amount limits and loan terms to keep step with inflation of the dollar which has occurred over the past 25 years since the original act.

The best argument for this legislation is that it is supported wholeheartedly by those it will affect, the members of Federal credit unions. May I cite several letters which I have received which show this to be true:

William T. Brown, manager of the Cooperative Center Federal Credit Union in Berkeley, Calif., writes as follows:

Both of these bills (H.R. 5777 and H.R. 3674) will, in the main, accomplish the same purpose. From our viewpoint, the important thing is to provide the increased services to people which either bill will permit. Of special importance is increasing the loan maturity from 3 to 5 years.

Harry E. Trembath, manager of the East Bay Telephone Employees Federal Credit Union in Oakland, Calif., writes:

These bills * * * will provide for operational changes designed to improve credit union services to the millions of people of moderate income who participate in these organizations.

W. Marvin Draper, Jr., an assistant director of the California Credit Union League which represents 92.4 percent of the credit unions in the State of California, writes:

This legislation * * * would improve the operations of Federal credit unions and their ability to serve their members.

F. J. Peyton of the State Farm Berkeley Federal Credit Union in Berkeley, Calif., writes:

Both of these bills give support and encouragement to credit unions. It is generally recognized that the public has benefited from the existence of credit unions in every community.

Donald Anderson, president of the Los Angeles County Engineers Federal Credit Union, writes:

* * * changes recommended are greatly needed to adjust Federal credit union laws in keeping with present day economy and activity.

Mr. Chairman, I urge that this legislation be passed.
Thank you.

STATEMENT OF HON. GEORGE P. MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. MILLER. Mr. Chairman and members of the committee, three of my distinguished colleagues from the State of California, Representatives Clement Miller, James Roosevelt, and Jeffery Cohelan, have introduced bills (H.R. 6755, H.R. 6927, and H.R. 7009) which are before this committee to amend the Federal Credit Union Act. I wish to join my fellow Members of Congress in support of these changes proposed in the laws governing Federal credit unions.

In my home State there are more than 1,600 credit unions serving more than 1 million members. Approximately 900 of these credit unions are chartered under the Federal Credit Union Act. The changes proposed in H.R. 5777 and the related bills are designed to allow Federal credit unions to serve their members more effectively and more efficiently.

Some of the proposed amendments to the present act, such as the provision for raising the signature loan limit from \$400 to \$1,000, extending the loan maturity limit from 3 to 5 years, providing for the chartering of Federal central credit unions, and permitting Federal credit unions and their officers and committee members to enjoy the full benefits of central credit unions, are designed to directly permit Federal credit unions to operate with greater flexibility and to permit them to serve their members in a more effective manner.

Other amendments contained in the bills before this committee would indirectly strengthen credit unions and permit them to operate in a more efficient manner. Many of these provisions permit badly needed changes in the internal structure of the operation of credit unions.

Other amendments are designed to allow credit unions to enjoy benefits and privileges which have been accorded to other institutions in years past. Such provisions as permitting annual or semiannual dividends, and permitting dividend credit on the first 5 days of the month, are of this nature.

These amendments would provide for the first major revision of the Federal Credit Union Act since its enactment 25 years ago. Many of these changes are long overdue. Therefore, I pledge my support for the legislation before this committee, H.R. 5777 and related bills to amend the Federal Credit Union Act.

STATEMENT OF HON. ROBERT W. KASTENMEIER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. KASTENMEIER. Mr. Chairman and members of the committee, I want to thank you for giving me this opportunity to register my sup-

port of H.R. 5777 and related bills now being considered which would effect a number of needed changes in the Federal Credit Union Act.

I represent the Second Congressional District of Wisconsin, and in the heart of the most populous county within my district lies the international headquarters of the organization which has fostered the growth of credit unions throughout the United States and in many other countries, Credit Union National Association.

In the State of Wisconsin, there are more than 700 credit unions serving more than 300,000 members, with total assets in excess of \$150 million. At the end of 1957, these credit unions had loans outstanding of almost \$120 million. Wisconsin ranks eighth among the States in the number of credit unions presently in operation.

Although credit unions have grown rapidly in numbers in my State and are providing services for so many citizens in my area, only a few of these are chartered under Federal laws. Almost all of them are chartered and operate under the laws of the State of Wisconsin.

One reason for the heavy preponderance of State-chartered credit unions in my area is that the Wisconsin credit union law is silent in respect to any provision restricting the length of the loan maturity limit. In contrast, the present Federal law only allows Federal credit unions to extend loans with a maturity of 3 years. The relatively modest change proposed in the Federal law to extend this limitation to a 5-year loan maturity would enable Federal credit unions in my area to serve their members more effectively. This change would also bring the Federal law more nearly into line with the law of Wisconsin and many other States. With this change, rural credit unions could more adequately meet the credit needs of farm families to help them purchase farm equipment and supplies. Federal credit unions would be able to participate more actively in extending loans for home improvement and modernization. Also, the increasing costs of higher education have made it necessary for many families to seek loans to finance the education of their sons and daughters. Again the extension in the loan maturity limit would allow Federal credit unions to extend an increasing number of loans for educational purposes.

Another reason for the effective credit union services available to many members in my area is that we have been effectively operating a State-chartered central credit union. However, as this committee is aware, the full benefits of central credit unions are not available to federally chartered credit unions and their directors and committee members. The provisions in the various bills before you to allow for the chartering of Federal central credit unions and the investment by Federal credit unions in central credit unions are essential in order that Federal credit unions may continue to serve their membership effectively.

Another change in the Federal law that is of particular merit is the proposal to increase the signature loan limitation. Rising costs of goods and services and the increased experience of Federal credit unions with unsecured loans warrant the proposed increase to \$1,000 in the signature loan limitation proposed in these bills.

Our mode of living has changed considerably during the past 25 years, but the Federal Credit Union Act has remained the same—except for occasional piecemeal changes.

The bills before you today represent the first general revision of the Federal Credit Union Act since it was enacted, and I think these changes will do much to modernize the Federal act so that it might more effectively and efficiently serve Federal credit unions. Therefore, I urge you, the members of this committee, to take favorable action on the legislation now before you.

NEW YORK CITY PHARMACEUTICAL FEDERAL CREDIT UNION,
New York, N.Y., May 6, 1959.

Re H.R. 5777.

Hon. WRIGHT PATMAN,
House Office Building, Washington, D.C.

MY DEAR CONGRESSMAN: The New York City Pharmaceutical Federal Credit Union, of which I have the honor of being both treasurer and counsel, is strongly for the passage of your bill, H.R. 5777, to amend the Federal Credit Union Act, for the reasons which follow.

The membership of our credit union consists of pharmacists (and members of their families) who own pharmacies or live in the city of New York and who are members of the Pharmaceutical Society of the State of New York. Generally, these members are small businessmen, the owners of small neighborhood pharmacies, as distinguished from employees of a single employer.

Chartered by the Federal Government in 1935, our credit union was born out of the depression and chaos that existed in the early 1930's when small merchants found it difficult to find funds with which to survive the economic depression of that era. Through the cooperative facilities made available by the Federal Credit Union Act and with the assistance of some of the more affluent leaders of the pharmaceutical profession in the city of New York, these small pharmacy owners, who could not get financial assistance except at exorbitant interest rates from predatory moneylenders, were able to help themselves with dignity and economy. History has proven the wisdom of the Federal Credit Union Act and the resultant outstanding helpfulness afforded by our credit union.

As of March 31, 1959, our credit union had made a total of 1,035 loans aggregating \$1,207,279. Our loss for the entire period was only \$2,052, approximately one-sixth of 1 percent. And these losses occurred only after bankruptcy. The honesty and good character of pharmacists have been proven, time and time again.

The theme of helpfulness of our credit union is reflected in such facts as:

1. Our present rate of interest is six-tenths of 1 percent per month on unpaid balances. Included in this charge is loan protection insurance, payable upon the contingency of death or total disability. The premium for such insurance is 65 cents per month per \$1,000 of outstanding loans. Accordingly, the true interest rate paid by our member-borrowers is 6.4 percent. In dollars and cents, the actual cost to a borrower for a loan of \$100 payable in 12 monthly installments, including the insurance feature above referred to, is but \$3.75. This sum is not deducted in advance; the borrower gets the full \$100 as applied for.

2. Up until a few years ago our interest rate was higher. Initially, it had been 1 percent a month on unpaid balances; then three-fourths of 1 percent a month; and now, as above stated, it is six-tenths of 1 percent a month, inclusive of insurance. At the time of each reduction in interest rate, the proposition as to whether the rate of interest should be reduced or whether the dividend rate to membership should be increased, was put before the membership and the board of directors. Without hesitation, the answer on each of these occasions was: "Our organization is for the purpose of helping our fellow pharmacists and not for a personal gain; hence, the cost of a loan to the borrower should be reduced."

Under these circumstances and in the light of our experience, we are convinced that the integrity and honesty of our members, as a class, is such that they may be entrusted with a loan of \$1,000 on their own signature, that is, without the need of putting up any collateral.

We also believe that it would be in the best interests of the citizenry and economy of our Nation that all the other amendments as contained in H.R. 5777 be passed.

You may be assured that the New York City Pharmaceutical Federal Credit Union appreciates very much your initiative in presenting H.R. 5777, and will be grateful to you and to all in the Congress who cooperate with you in supporting this bill and having same passed.

Respectfully yours,

CHARLES HUBERT.

MR. PATMAN. The committee will stand in recess to meet again at the call of the Chair and the hearings on these bills are closed.

(At 11 a.m. the committee was in recess subject to the call of the Chair, and hearings on these bills were closed.)

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FEDERAL CREDIT UNION ACT

HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

UNITED STATES SENATE

EIGHTY-SIXTH CONGRESS

FIRST SESSION

ON

S. 1786, S. 1985, and H.R. 8305

BILLS TO AMEND THE FEDERAL CREDIT UNION ACT

AUGUST 21, 1959

Printed for the use of the Committee on Banking and Currency



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FEDERAL CREDIT UNION ACT

FRIDAY, AUGUST 21, 1959

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met, pursuant to call, in room 5302, New Senate Office Building, at 10:35 a.m., Senator A. Willis Robertson (chairman) presiding.

Present: Senators Robertson, Frear, Clark, Proxmire, Williams, Muskie, Bennett, Bush, Beall.

The CHAIRMAN. The committee will please come to order.

The Senate Banking and Currency Committee is holding hearings this morning on H.R. 8305, S. 1786, and S. 1985, bills revising the Federal Credit Union Act. We have scheduled hearings only for today with the thought that it may be possible during today's hearing to develop the full facts with respect to the legislation which may be needed without the need of further extended hearings which might make it impossible to obtain any legislation during this session of Congress.

The Federal Credit Union Act was passed 25 years ago, in 1934, and, incidentally, it had my support when that bill passed the House. Today there are more than 9,000 Federal credit unions operating in the United States, with a membership of over 5 million and with assets of more than \$2 billion. The Federal Credit Union Act has not been generally revised and modernized since its original enactment, except that the limit on loans has been increased from time to time. In 1949, for instance, the limit for unsecured loans was raised to \$400. In my Financial Institutions Act of 1957, we took testimony concerning the Federal credit unions. We knew how successfully they were operating in Virginia. There was a very high regard for the movement both among employees and among workers generally. I also recommended to this committee at that time in 1957 that we increase the limit to \$500. That was put in that bill and supported by this committee, and approved by the Senate; but that bill, as you know, failed on the House side.

The committee has, however, the benefit of the revision proposed in the Financial Institutions Act of 1957, and the hearings held on it and the comments made about it at that time.

The committee has received comments on the bill from several Federal agencies. Without objection, the bills and these comments will be inserted in the record at this point.

(The bills and reports referred to follow:)

[S. 1786, 86th Cong., 1st sess.]

A BILL To amend the Federal Credit Union Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 2 of the Federal Credit Union Act (12 U.S.C. 1752) is amended to read as follows:

“DEFINITIONS

“SEC. 2. As used in this Act—

“(1) The term ‘Federal credit union’ means a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes, and includes a cooperative association (hereinafter called a ‘Federal central credit union’) whose members are Federal credit unions and credit unions organized in accordance with the provisions of law of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, and located within a well-defined geographical area, and whose members may also be directors and members of the supervisory and credit committees of such credit unions;

“(2) The term ‘Bureau’ means the Bureau of Federal Credit Unions;

“(3) The term ‘Director’ means the Director of the Bureau of Federal Credit Unions.”

(b) The first sentence of section 3 of such Act (12 U.S.C. 1753) is amended by striking out “natural”.

(c) Section 7(7) of such Act (12 U.S.C. 1757(7)) is amended by striking out “or” after “(d)”, and by striking out the final period and inserting in lieu thereof the following: “; or (e) in shares of Federal central credit unions and in shares or accounts of other central credit unions. Payments to, and withdrawals from, such central credit unions by a Federal credit union must be specifically authorized by the board of directors of such Federal credit union.”

(d) Section 9 of such Act (12 U.S.C. 1759) is amended—

(1) by inserting after “except that” in the first sentence the following: “, other than as provided in section 2(1) with respect to Federal central credit unions,”; and

(2) by inserting immediately after the first sentence the following new sentence: “A Federal credit union may, by authorization of its board of directors, become a subscriber to, or organizer or member of, a Federal central credit union or other central credit union.”

(e) Section 10 of such Act (12 U.S.C. 1760) is amended by adding at the end thereof the following new sentences: “Federal credit unions having membership in a central credit union may be represented at annual or special meetings of the central credit union by one member duly authorized by the board of directors of the member Federal credit union. To the extent permitted by the articles or certificate of incorporation or bylaws of the central credit union, such representative shall have one vote and shall be eligible for office in the central credit union the same as though he were a member as an individual of such credit union.”

(f) The next to last sentence of section 11(d) of such Act (12 U.S.C. 1761(d)) is amended by inserting “, except in the case of a loan by a Federal central credit union to a member credit union,” after “No loan shall be made to any member”.

SEC. 2. Section 7(5) of the Federal Credit Union Act (12 U.S.C. 1757(5)) is amended by striking out “maturities not exceeding three years” and inserting in lieu thereof “maturities not exceeding five years”.

SEC. 3. (a) The proviso in the first sentence of section 7(5) of the Federal Credit Union Act (12 U.S.C. 1757(5)) is amended to read as follows: “: *Provided*, That no loans to a director or member of the supervisory or credit committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member”.

(b) The second sentence of such section 7(5) is amended to read as follows: "No director or member of the supervisory or credit committee shall endorse for borrowers."

SEC. 4. Section 7 of the Federal Credit Union Act (12 U.S.C. 1757) is further amended by redesignating paragraph (12) as paragraph (13), and by adding after paragraph (11) the following new paragraph:

"(12) To charge members and individuals eligible to become members a reasonable fee for cashing or selling checks, not to exceed the direct and indirect costs incident to providing such service."

SEC. 5. (a) Section 11(a) (except the heading) of the Federal Credit Union Act (12 U.S.C. 1761(a)) is amended to read as follows:

"(a) The business affairs of a Federal credit union shall be managed by a board of not less than five directors, and a credit committee of not less than three members, all to be elected at the annual members' meeting by and from the members (which, in the case of Federal central credit unions, shall be deemed to include the duly authorized representatives of the member credit unions), and by a supervisory committee of three members, one of whom may be a director other than the treasurer, to be appointed by the president from the membership promptly following the annual meeting, subject to ratification by the board at its next meeting. If the board fails to ratify the appointment of any member of the supervisory committee, the term of such member shall thereupon cease, and the president shall immediately appoint a replacement, subject to ratification by the board at its next succeeding meeting. Any vacancy occurring in the supervisory committee shall be filled in the same manner as original appointments to such committee. All members of the board and of such committees shall hold office for such terms, respectively, as the bylaws may provide. A record of the names and addresses of the members of the board and such committees and officers shall be filed with the Bureau within ten days after their election or appointment. No member of the board or of either such committee shall, as such, be compensated."

(b) Section 11(e) of such Act (12 U.S.C. 1761(e)) is amended by striking out the second sentence and inserting in lieu thereof the following: "Any and all members of the supervisory committee may be suspended by the president subject to the approval of the board of directors, or by the board of directors subject to the approval of the members. In the latter case, a members' meeting to act upon such suspension shall be held within seven days thereof. The board of directors or the members, as the case may be, shall decide whether the suspended committee member shall be removed from or restored to the supervisory committee."

SEC. 6. Section 11(b) of the Federal Credit Union Act (12 U.S.C. 1761(b)) is amended by striking out the first two sentences and inserting in lieu thereof the following: "At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, one or more vice presidents, a secretary, and a treasurer, who shall be the executive officers of the corporation. No executive officer, except the treasurer, shall be compensated as such. The offices of secretary and treasurer may be held by the same person."

SEC. 7. (a) Section 11(c) of the Federal Credit Union Act (12 U.S.C. 1761(c)) is amended by striking out "they shall act upon applications for membership" and inserting in lieu thereof the following: "they shall act upon applications for membership directly or shall appoint from among the members of the credit union (other than the treasurer or an assistant treasurer) a membership chairman who shall be authorized to act upon such applications for membership as the board may prescribe and who shall submit to the board at each monthly meeting a list of applications for membership received since the previous monthly meeting, together with such other information as may be required by the bylaws or the board".

(b) Section 11(c) of such Act is further amended by striking out "and, subject" and inserting in lieu thereof "subject", and by inserting before the period at the end thereof the following: "; and provide for compensation of necessary clerical and auditing assistance requested by the supervisory committee, and of loan officers appointed by the credit committee".

SEC. 8. (a) Section 11(d) of the Federal Credit Union Act (12 U.S.C. 1761(d)) is amended by striking out the second sentence and inserting in lieu thereof the following: "No loan shall be made unless approved by a majority of the entire committee and by all members of the committee who are present at the meeting at which the application is considered: *Provided*, That the credit committee may appoint one or more loan officers, and delegate to him or them powers to

approve loans up to the unsecured limit or in excess of such limit if such excesses is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the credit committee. No loan officer, including the treasurer or any assistant treasurer, shall have authority to disburse funds of the Federal credit union for any loan which has been approved by him. Not more than one member of the credit committee may be appointed as a loan officer."

(b) The first sentence of section 7(5) of such Act (12 U.S.C. 1757(5)) is amended by striking out "as the credit committee may approve" and inserting in lieu thereof "as the credit committee or a loan officer may approve".

Sec. 9. The next to last sentence of section 11(d) of the Federal Credit Union Act (12 U.S.C. 1761(d)) is amended by striking out "\$400" each place it appears and inserting in lieu thereof "\$1,000".

SEC. 10. (a) Section 13 of the Federal Credit Union Act (12 U.S.C. 1763) is amended to read as follows:

"DIVIDENDS

"SEC. 13. Annually, or semiannually, as the bylaws may provide, and after provision for the required reserves, the board of directors may declare a dividend to be paid from the remaining net earnings. Such dividend shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during such dividend period and are outstanding at the close of the period shall be entitled to a proportional part of such dividend. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first five days of that month."

(b) Section 11(c) of such Act (12 U.S.C. 1761(c)) is amended by striking out "recommend the declaration of dividends;"

SEC. 11. Section 16 of the Federal Credit Union Act (12 U.S.C. 1766) is amended by adding at the end thereof the following new subsection:

"(h) In every case of an adjudication by the Director under this Act, determination shall be made on the record after giving the opportunity for a hearing to all persons and credit unions who may be directly affected by any order that may be issued as a result of such adjudication. The words 'adjudication' and 'order' as used herein shall have the meanings specified in the Administrative Procedure Act."

SEC. 12. Section 21 of the Federal Credit Union Act (12 U.S.C. 1771) is amended by striking out "the membership of which is composed exclusively of Federal employees and members of their families" and inserting in lieu thereof "at least 95 per centum of the membership of which is composed of persons who either are presently Federal employees or are retired Federal employees and members of their families".

SEC. 13. Section 22 of the Federal Credit Union Act (12 U.S.C. 1772) is amended to read as follows:

"TERRITORIAL APPLICABILITY OF ACT

"SEC. 22. The provisions of this Act shall apply to the several States, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico."

SEC. 14. The Federal Credit Union Act is further amended by adding at the end thereof the following new section:

"CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND FROM STATE TO FEDERAL CREDIT UNION

"SEC. 23. (a) CONVERSION FROM FEDERAL TO STATE CREDIT UNION.—A Federal credit union may be converted into a 'State credit union' under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, by complying with the following requirements:

"(1) The proposition for such conversion shall first be approved by a majority of the directors of the Federal credit union. The proposition then shall be submitted to a meeting of its members, the notice of which shall be in writing and shall be delivered in person to each member, or shall be mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to the time of the meeting. Approval of the proposition for conversion shall be by the affirmative vote of not less than two-thirds of the members present and voting at the meeting.

"(2) A copy of the minutes of such meeting, verified by the affidavits of the president or vice president and the secretary of the meeting, shall be filed with the Bureau within ten days after the meeting.

"(3) Promptly after the adjournment of such meeting of the members, and in no event later than ninety days after such meeting, the credit union shall take such action as may be necessary under the applicable State law to make it a State credit union, and within ten days after receipt of the State credit union charter there shall be filed with the Bureau a copy of the charter thus issued. Upon such filing the credit union shall cease to be a Federal credit union.

"(4) Upon ceasing to be a Federal credit union, such credit union shall no longer be subject to any of the provisions of this Act. The successor State credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the Federal Credit union to the same extent as though the conversion had not taken place.

"(b) **CONVERSION FROM STATE TO FEDERAL CREDIT UNION.**—A 'State credit union' organized under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, may be converted into a Federal credit union by: (1) complying with all State requirements requisite to enabling it to convert to a Federal credit union or to cease being a State credit union; (2) filing with the Bureau proof of such compliance, satisfactory to the Director; and (3) filing with the Bureau an organization certificate as required by this Act.

"When the Director has been satisfied that all of such requirements have been complied with, the Director shall approve the organization certificate. Upon such approval, the State credit union shall become a Federal credit union as of the date it ceases to be a State credit union. The Federal credit union shall be vested with all of the assets and shall continue responsible for all the obligations of the State credit union to the same extent as though the conversion had not taken place."

SEC. 15. Section 2113(g) of title 18 of the United States Code is amended by inserting before the period at the end thereof ", and any 'Federal credit union' as defined in section 2 of the Federal Credit Union Act".

[S. 1985, 86th Cong., 1st sess.]

A BILL To amend the Federal Credit Union Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Credit Union Act (48 Stat. 1216), as amended, is amended to read as follows:

"SHORT TITLE

"SECTION 1. This Act may be cited as the 'Federal Credit Union Act'.

"DEFINITIONS

"SEC. 2. As used in this Act—

"(a) The term 'Federal credit union' means a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes, and includes a cooperative association (hereinafter called a 'Federal central credit union') whose members are Federal credit unions and credit unions organized in accordance with the provisions of law of any State, the District of Columbia, the several Territories and the several possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, and located within a well-defined geographical area, and whose members may also be directors and members of the supervisory and credit committees of such credit unions.

"(b) The term 'Bureau' means the Bureau of Federal Credit Unions.

"(c) The term 'Director' means the Director of the Bureau of Federal Credit Unions.

"CREATION OF BUREAU

"SEC. 3. There shall be in the Department of Health, Education, and Welfare a Bureau of Federal Credit Unions, which shall be under the supervision of a Director appointed by the Secretary of Health, Education, and Welfare. The Bureau of Federal Credit Unions and the Director shall be under the general direction and supervision of the Secretary.

"FEDERAL CREDIT UNION ORGANIZATION

"SEC. 4. Any seven or more persons who desire to form a Federal credit union shall subscribe before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—

- "(1) the name of the association;
- "(2) the location of the proposed Federal credit union and the territory in which it will operate;
- "(3) the names and addresses of the subscribers to the certificate and the number of shares subscribed by each;
- "(4) the par value of the shares, which shall be \$5 each;
- "(5) the proposed field of membership, specified in detail;
- "(6) the term of the existence of the corporation, which may be perpetual; and
- "(7) the fact that the certificate is made to enable such persons to avail themselves of the advantages of this Act.

"Such organization certificate may also contain any provisions approved by the Director for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders.

"APPROVAL OF ORGANIZATION CERTIFICATE

"SEC. 5. The organization certificate shall be presented to the Director for approval. Before any organization certificate is approved, an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this Act; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Director, it shall be the charter of the corporation, and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. Upon such approval the Federal credit union shall be a body corporate, and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all the liabilities conferred and imposed by this Act upon corporations organized hereunder.

"FEES

"SEC. 6. For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved, the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Director, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. Not later than January 31 of each calendar year, each Federal credit union shall pay to the Bureau, for the preceding calendar year, a supervision fee in accordance with a graduated scale prescribed by regulation on the basis of assets as of December 31 of such preceding year, but such fee shall in no event be less than \$10 nor more than the amounts specified in the following table: *Provided, however,* That no such annual fee shall be payable by a Federal credit union with respect to the year in which its charter is issued, or in which final distribution is made in its liquidation or the charter is otherwise canceled. All such fees shall be deposited with the Treasurer of the United States for the account of the Bureau and may be expended by the Director for such administrative, supervisory and other expenses incurred in carrying out the provisions of this Act as he may determine to be proper, the purpose of such fees being to defray such expenses as far as practicable.

"Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000-----	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000-----	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000-----	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

"REPORTS, EXAMINATIONS, AND AUDITS

"SEC. 7. Federal credit unions shall be under the supervision of the Director, and shall make such financial reports to him as and when he may require, but at least annually. Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to, any person designated by the Director. The Director shall fix a scale of examination fees to be paid by Federal credit unions, giving due consideration to the time and expense incident to such examinations, and to the ability of Federal credit unions to pay such fees, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of such examination. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section 6 hereof, and shall be available for the purpose specified in said section 6.

"POWERS

"SEC. 8. A Federal credit union shall have succession in its corporate name during its existence and shall have power—

- "(1) to make contracts;
- "(2) to sue and be sued;
- "(3) to adopt and use a common seal and alter the same at pleasure;
- "(4) to purchase, hold, and dispose of property necessary or incidental to its operations;
- "(5) to make loans with maturities not exceeding five years to its members for provident or productive purposes upon such terms and conditions as this Act and its bylaws provide and as the credit committee or a loan officer may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances, inclusive of all charges incident to making the loan: *Provided*, That no loans to a director or member of the supervisory or credit committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or member of committee. No director or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this paragraph, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the persons by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid: *Provided*, That such action is commenced within two years from the time the usurious collection was made;

"(6) to receive from its members payments on shares;

"(7) to invest its funds (a) in loans exclusively to members; (b) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; (c) in accordance with rules and regulations prescribed by the Director, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; (d) in shares or accounts of savings and loan associations, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation; or (e) in shares of Federal central credit unions and in shares or accounts of other central credit unions, as defined in section 2, paragraph (a) of this Act. Payments to, and withdrawals

from, such central credit unions by a Federal credit union must be specifically authorized by the board of directors of such Federal credit union;

"(8) to make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business;

"(9) to borrow, in accordance with such rules and regulations as may be prescribed by the Director, from any source, in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: *Provided*, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital;

"(10) to levy late charges, in according with the bylaws, for failure to meet promptly their obligations to the Federal credit union;

"(11) to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or fines payable by him;

"(12) to charge members and individuals eligible to become members a reasonable fee for cashing or selling checks, not to exceed the direct and indirect costs incident to providing such service;

"(13) to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

"BYLAWS

"SEC. 9. In order to simplify the organization of Federal credit unions the Director shall from time to time cause to be prepared a form of organization certificate and a form of bylaws, consistent with this Act, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Director for his approval.

"MEMBERSHIP

"SEC. 10. Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Director, as may be elected to membership and as such shall, each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that other than as provided in section 2, paragraph (a) of this Act as to Federal credit unions, Federal credit union membership shall be limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. A Federal credit union may, by authorization of its board of directors, become a subscriber to, or organizer or member of, a Federal central credit union or a central credit union as defined in section 2, paragraph (a) of this Act. Shares may be issued in joint tenancy with right of survivorship with any person designated by the credit union member, but no joint tenant shall be permitted to vote, obtain loans, or hold office, unless he is within the field of membership and is a qualified member.

"MEMBERS' MEETINGS

"SEC. 11. The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote. Federal credit unions having membership in a central credit union may be represented at annual or special meetings of the central credit union by one member duly authorized by the board of directors of the member Federal credit union. To the extent permitted by the articles or certificate of incorporation or bylaws of the central credit union, such representative shall have one vote and shall be eligible for office in the central credit union the same as though he were a member as an individual of such central credit union.

"MANAGEMENT

"SEC. 12. The business affairs of a Federal credit union shall be managed by a board of not less than five directors, and a credit committee of not less than three members, all to be elected at the annual members' meeting by and from the members which, in the case of Federal central credit unions, shall be deemed to include the duly authorized representatives of the member credit unions, and by a supervisory committee of three members, one of whom may be a director other than the treasurer, to be appointed by the president from the membership promptly following the annual meeting, subject to ratification by the board at its next meeting. If the board fails to ratify the appointment of any member of the supervisory committee, the term of such member shall thereupon cease, and the president shall immediately appoint a replacement, subject to ratification by the board at its next succeeding meeting. Any vacancy occurring in the supervisory committee shall be filled in the same manner as original appointments to said committee. All members of the board and of such committees shall hold office for such terms, respectively, as the bylaws may provide. A record of the names and addresses of the members of the board and such committees and officers shall be filed with the Bureau within ten days after their election or appointment. No member of the board or of either such committee shall, as such, be compensated.

"OFFICERS

"SEC. 13. At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, one or more vice presidents, a secretary, and a treasurer, who shall be the executive officers of the corporation. No executive officer, except the treasurer, shall be compensated as such. The offices of secretary and treasurer may be held by the same person. The duties of the officers shall be as determined by the bylaws, except that the treasurer shall be the general manager of the corporation. Before the treasurer shall enter upon his duties he shall give bonds with good and sufficient surety, in an amount and character to be determined by the board of directors in compliance with regulations prescribed from time to time by the Director, conditioned upon the faithful performance of his trust.

"DIRECTORS

"SEC. 14. The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things they shall act upon applications for membership directly or shall appoint a membership chairman from the members, other than the treasurer or assistant treasurer, who shall be authorized to act upon such applications for membership as the board may prescribe and who shall submit to the board at each monthly meeting a list of applications for membership received since the previous monthly meeting, together with such other information as may be required by the bylaws or the board; require any officer or employee having custody of or handling funds to give bond with good and sufficient surety in an amount and character to be determined by the board of directors in compliance with regulations prescribed from time to time by the Director, and authorize the payment of the premium or premiums therefor from the funds of the Federal credit union; fill vacancies in the board and in the credit committee until successors elected at the next annual meeting have qualified; have charge of investments other than loans to members; determine from time to time the maximum number of shares that may be held by an individual; subject to the limitations of this Act, determine the interest rates on loans and the maximum amount which may be loaned with or without security to any member; and, subject to such regulations as may be issued by the Director, authorize an interest refund to members of record at the close of business on December 31 in proportion to the interest paid by them during that year; and provide for compensation of necessary clerical and auditing assistance requested by the supervisory committee, and of loan officers appointed by the credit committee.

"CREDIT COMMITTEE

"SEC. 15. The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month to consider applications for loans. Reasonable notice of such meetings shall be given to all members of the committee. No loan shall be made unless it is

approved by a majority of the committee and by all members of the committee who are present at the meeting at which the application is considered: *Provided, however,* That the credit committee may appoint one or more loan officers, who may be the treasurer or an assistant treasurer, and delegate to him or them powers to approve loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the the credit committee. No loan officer, including the treasurer or assistant treasurer, shall have authority to disburse funds of the Federal credit union for any loan which has been approved by him. Not more than one member of the credit committee may be appointed as a loan officer. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan shall be made to any member, except in the case of a loan by a Federal central credit union to a member credit union, which causes such member to become indebted to the Federal credit union in an aggregate amount, upon loans made to such member, which is in excess of \$1,000 unless such excess over \$1,000 is adequately secured, except that in no event may any such loan be made if such aggregate amount would be in excess of whichever of the following is greater:

“(1) \$200, or

“(2) 10 per centum of the credit union's paid-in unimpaired capital and surplus.

“For the purposes of this subdivision an assignment of shares or the endorsement of a note shall be deemed security.

“SUPERVISORY COMMITTEE

“SEC. 16. The supervisory committee shall make, or cause to be made, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; shall make, or cause to be made, a report of its quarterly examination to the board of directors; shall make, or cause to be made, an annual audit, a report of which shall be submitted to the members at the next annual meeting of the corporation; and may suspend by a unanimous vote any officer of the corporation or any member of the credit committee or of the board of directors, until the next members' meeting, which members' meeting shall be held within seven days of said suspension and at which meeting said suspension shall be acted upon by the members; and, by a majority vote, may call a special meeting of the shareholders to consider any violation of this Act, the charter, or of the bylaws, or any practice of the corporation deemed by the supervisory committee to be unsafe or unauthorized. Any and all members of the supervisory committee may be suspended by the president, subject to the approval of the board of directors, or by the board of directors, subject to the approval of the members. In the latter case, a members' meeting to act upon such suspension shall be held within seven days thereof. The board of directors or the members, as the case may be, shall decide whether the suspended committee member shall be removed from or restored to the supervisory committee. The supervisory committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once every two years. As used in this section, the term ‘passbook’ shall include any book, statement of account, or other record approved by the Director for use by Federal credit unions.

“RESERVES

“SEC. 17. All entrance fees and charges provided by the bylaws and 20 per centum of the net earnings of each year, before the declaration of any dividends, shall be set aside as a regular reserve against losses on bad loans and such other losses as may be specified in the bylaws in accordance with regulations prescribed under this Act: *Provided, however,* That when the regular reserve thus established shall equal 10 per centum of the total amount of members' shareholdings, no further transfer of net earnings to such regular reserve shall be required except that such amounts not in excess of 20 per centum of the net earnings as may be needed to maintain this 10 per centum ratio shall continue to be transferred. In addition to such regular reserve, special reserves to protect the interests of members shall be established when required (a) by regulation, or

(b) in any special case, when found by the Director to be necessary for that purpose.

"DIVIDENDS

"SEC. 18. Annually or semiannually, as the bylaws may provide and after provision for the required reserves, the board of directors may declare a dividend to be paid from the remaining net earnings. Such dividend shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during such dividend period and are outstanding at the close of the period shall be entitled to a proportional part of such dividend. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first five days of that month.

"EXPULSION AND WITHDRAWAL

"SEC. 19. A member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after an opportunity has been given to him to be heard and subject to review by the Director, if such review is requested by the member within thirty days. Withdrawal or expulsion of a member shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in the manner specified in the bylaws.

"MINORS

"SEC. 20. Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. When shares are issued in trust, the name of the beneficiary shall be disclosed to the Federal credit union.

"CERTAIN POWERS OF DIRECTOR

"SEC. 21. (a) The Director may prescribe rules and regulations for the administration of this Act, including, but not by way of limitation, the merger, consolidation, and/or dissolution of corporations organized under this Act.

"(b) (1) The Director may suspend or revoke the charter of any Federal credit union, or place the same in involuntary liquidation and appoint a liquidating agent therefor, upon his finding that the organization is bankrupt or insolvent, or has violated any provisions of its charter, its bylaws, this Act, or any regulations issued thereunder.

"(2) The Director, through such persons as he shall designate, may examine any Federal credit union in voluntary liquidation and, upon his finding that such voluntary liquidation is not being conducted in an orderly or efficient manner or in the best interests of its members, may terminate such voluntary liquidation and place such organization in involuntary liquidation and appoint a liquidating agent therefor.

"(3) Such liquidating agent shall have power and authority, subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, (i) to receive and take possession of the books, records, assets, and property of every description of the Federal credit union in liquidation, to sell, enforce collection of, and liquidate all such assets and property, to compound all bad or doubtful debts, and to sue in his own name or in the name of the Federal credit union in liquidation, and defend such actions as may be brought against him as liquidating agent or against the Federal credit union; (ii) to receive, examine, and pass upon all claims against the Federal credit union in liquidation, including claims of members on shares; (iii) to make distribution and payment to creditors and members as their interests may appear; and (iv) to execute such documents and papers and to do such other acts and things which he may deem necessary or desirable to discharge his duties hereunder.

"(4) Subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, the liquidating agent of a Federal credit union in involuntary liquidation shall (i) cause notice to be given to creditors and members to present their claims and make legal proof thereof, which notice shall be published once a week in each of three successive weeks in a newspaper of general circulation in each county in which the Federal credit union in liquidation maintained an office or branch for the transaction of business on the date it ceased unrestricted operations: *Provided*, That when-

ever the aggregate book value of the assets and property of a Federal credit union in involuntary liquidation is less than \$1,000, unless the Director shall find that its books and records do not contain a true and accurate record of its liabilities, he shall declare such Federal credit union in liquidation to be a 'no publication' liquidation, and publication of notice to creditors and members shall not be required in such case; (ii) from time to time, make a ratable dividend on all such claims as may have been proved to his satisfaction or adjudicated in a court of competent jurisdiction and, after the assets of such organization have been liquidated, shall make further dividends on all claims previously proved or adjudicated; and the liquidating agent may accept in lieu of a formal proof of claim on behalf of any creditor or member the statement of any amount due to such creditor or member as shown on the books and records of the credit union: *Provided further*, That all claims not filed before payment of the final dividend shall be barred and claims rejected or disallowed by the liquidating agent shall be likewise barred unless suit be instituted thereon within three months after notice of rejection or disallowance; (iii) in a 'no publication' liquidation, determine from all sources available to him, and within the limits of available funds of the Federal credit union, the amounts due to creditors and members, and after sixty days shall have elapsed from the date of his appointment, shall distribute the funds of the Federal credit union to creditors and members ratably and as their interests may appear.

"(5) Upon certification by the liquidating agent in the case of an involuntary liquidation and upon such proof as shall be satisfactory to the Director in the case of a voluntary liquidation that distribution has been made and that liquidation has been completed, as provided herein, the Director shall cancel the charter of such Federal credit union: *Provided*, That the corporate existence of the Federal credit union shall continue for a period of three years from the date of such cancellation of its charter, during which period the liquidating agent, or his duly appointed successor, or such persons as the Director shall designate, may act on behalf of the Federal credit union for the purpose of paying, satisfying, and discharging any existing liabilities or obligations, collecting and distributing its assets, and doing all other acts required to adjust and wind up its business and affairs, and it may sue and be sued in its corporate name.

"(c) After the expiration of five years from the date of cancellation of the charter of a Federal credit union the Director may, in his discretion, destroy any or all books and records of such Federal credit union in his possession or under his control.

"(d) The Director is authorized and empowered to execute any and all functions and perform any and all duties vested in him hereby, through such persons as he shall designate or employ; and he may delegate to any person or persons, including any institution operating under the general supervision of the Bureau, the performance and discharge of any authority, power, or function vested in him by this Act.

"(e) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Director.

"(f) The Director is authorized to make investigations and to conduct researches and studies of the problems of persons of small means in obtaining credit at reasonable rates of interest, and of the methods and benefits of cooperative saving and lending among such persons. He is further authorized to make reports of such investigations and to publish and disseminate the same.

"(g) Any officer or employee of the Bureau is authorized, when designated for the purpose by the Director, to administer oaths and affirmations and to take affidavits and depositions touching upon any matter within the jurisdiction of the Bureau.

"(h) The Director is authorized, empowered, and directed to require that every person appointed or elected by any Federal credit union to any position requiring the receipt, payment, or custody of money or other personal property owned by a Federal credit union or in its custody or control as collateral or otherwise, to give bond in a corporate surety company holding a certificate of authority from the Secretary of the Treasury under the Act of Congress approved July 30, 1947 (6 U.S.C. 6-13), as an acceptable surety on Federal bonds. Any such bond or bonds shall be in a form approved by the Director with a view to providing surety coverage to the Federal credit union with reference to loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful abstraction, or misapplication on the part of the person, directly or through connivance with others, and such other surety coverages as the Director may de-

termine to be reasonably appropriate or as elsewhere required by this Act. Any such bond or bonds shall be in such an amount in relation to the money or other personal property involved or in relation to the assets of the Federal credit union as the Director may from time to time prescribe by regulation for the purpose of requiring reasonable coverage. In lieu of individual bonds the Director may approve the use of a form of schedule or blanket bond which covers all of the officers and employees of a Federal credit union whose duties include the receipt, payment, or custody of money or other personal property for or on behalf of the Federal credit union. The Director may also approve the use of a form of excess coverage bond whereby a Federal credit union may obtain an amount of coverage in excess of the basic surety coverage.

"(i) In every case of an adjudication by the Director under this Act, determination shall be made on the record after giving the opportunity for a hearing to all persons and credit unions who may be directly affected by any order that may be issued as a result of such adjudication. The words 'adjudication' and 'order' as used herein shall have the meanings specified in the Administrative Procedure Act.

"FISCAL AGENTS AND DEPOSITORIES

"SEC. 22. Each Federal credit union organized under this Act, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States, including the issue, sale, redemption, or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes the Director shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this Act, when designated for that purpose by the Secretary of the Treasury, shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury.

"TAXATION

"SEC. 23. The Federal credit unions organized hereunder, their property, their franchises, capital, reserves, surpluses, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such Federal credit unions shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. Nothing herein contained shall prevent holdings in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders thereof in assessing taxes imposed by authority of the State or political subdivision thereof in which the Federal credit union is located: *Provided, however,* That the duty or burden of collecting or enforcing the payment of such tax shall not be imposed upon any such Federal credit union and the tax shall not exceed the rate of taxes imposed upon holdings in domestic credit unions.

"PARTIAL INVALIDITY; RIGHT TO AMEND

"SEC. 24. (a) If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

"(b) The right to alter, amend, or repeal this Act or any part thereof, or any charter issued pursuant to the provisions of this Act, is expressly reserved.

"SPACE IN FEDERAL BUILDINGS

"SEC. 25. Upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this Act, at least 95 per centum of the membership of which is composed of persons who either are presently Federal employees or are retired Federal employees and members of their families, which application shall be addressed to the

officer or agency of the United States charged with the allotment of space in the Federal buildings in the community or district in which said credit union or Federal credit union does business, such officer or agency may in his or its discretion allot space to such credit union if space is available without charge for rent or services.

"CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND FROM STATE TO FEDERAL CREDIT UNION

"SEC. 26. (a) **CONVERSION FROM FEDERAL TO STATE CREDIT UNION.**—A Federal credit union may be converted into a 'State credit union' under the laws of any State, the District of Columbia, the several Territories and the several possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, by complying with the following requirements:

"(1) The proposition for such conversion shall first be approved by a majority of the directors of the Federal credit union. The proposition then shall be submitted to a meeting of its members, the notice of which shall be in writing and shall be delivered in person to each member, or shall be mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to the time of the meeting. Approval of the proposition for conversion shall be by the affirmative vote of not less than two-thirds of the members present and voting at the meeting.

"(2) A copy of the minutes of such meeting, verified by the affidavits of the president or vice president and the secretary of the meeting, shall be filed with the Bureau within ten days after the meeting.

"(3) Promptly after the adjournment of such meeting of the members, and in no event later than ninety days after such meeting, the credit union shall take such action as may be necessary under the applicable State law to make it a State credit union, and within ten days after receipt of the State credit union charter there shall be filed with the Bureau a copy of the charter thus issued. Upon such filing the credit union shall cease to be a Federal credit union.

"(4) Upon ceasing to be a Federal credit union, such credit union shall no longer be subject to any of the provisions of this Act. The successor State credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the Federal credit union to the same extent as though the conversion had not taken place.

"(b) **CONVERSION FROM STATE TO FEDERAL CREDIT UNION.**—A 'State credit union', organized under the laws of any State, the District of Columbia, the several Territories and the several possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, may be converted into a Federal credit union by: (1) Complying with all State requirements requisite to enabling it to convert to a Federal credit union or to cease being a State credit union; (2) filing with the Bureau proof of such compliance, satisfactory to the Director; and (3) filing with the Bureau an organization certificate as required by this Act.

"When the Director has been satisfied that all of such requirements have been complied with, the Director shall approve the organization certificate. Upon such approval, the State credit union shall become a Federal credit union as of the date it ceases to be a State credit union. The Federal credit union shall be vested with all of the assets and shall continue responsible for all the obligations of the State credit union to the same extent as though the conversion had not taken place.

"ROBBERY AND INCIDENTAL CRIMES AGAINST FEDERAL CREDIT UNIONS

"SEC. 27. Section 2113 of title 18 of the United States Code is hereby made applicable to robbery and other crimes against Federal credit unions by amending subsection (g) of said section by inserting before the period at the end thereof ', and any "Federal credit union" as defined in section 2 of the Federal Credit Union Act'.

"TERRITORIAL APPLICABILITY OF ACT

"SEC. 28. The provisions of this Act shall apply to the several States, the District of Columbia, the several Territories and the several possessions of the

United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico."

[H.R. 8305, 86th Cong., 1st sess.]

AN ACT To amend the Federal Credit Union Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Credit Union Act (48 Stat. 1216; 12 U.S.C., secs. 1751-1772) is amended to read as follows:

"SHORT TITLE

"SECTION 1. This Act may be cited as the 'Federal Credit Union Act'.

"DEFINITIONS

"SEC. 2. As used in this Act—

"(1) the term 'Federal credit union' means a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes;

"(2) the term 'Bureau' means the Bureau of Federal Credit Unions; and

"(3) the term 'Director' means the Director of the Bureau of Federal Credit Unions.

"CREATION OF BUREAU

"SEC. 3. There shall be in the Department of Health, Education, and Welfare a Bureau of Federal Credit Unions, which shall be under the supervision of a Director appointed by the Secretary of Health, Education, and Welfare. The Bureau of Federal Credit Unions and the Director shall be under the general direction and supervision of the Secretary.

"FEDERAL CREDIT UNION ORGANIZATION

"SEC. 4. Any seven or more natural persons who desire to form a Federal credit union shall subscribe before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—

"(1) the name of the association;

"(2) the location of the proposed Federal credit union and the territory in which it will operate;

"(3) the names and addresses of the subscribers to the certificate and the number of shares subscribed by each;

"(4) the par value of the shares, which shall be \$5 each;

"(5) the proposed field of membership, specified in detail;

"(6) the term of the existence of the corporation, which may be perpetual; and

"(7) the fact that the certificate is made to enable such persons to avail themselves of the advantages of this Act.

Such organization certificate may also contain any provisions approved by the Director for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders.

"APPROVAL OF ORGANIZATION CERTIFICATE

"SEC. 5. The organization certificate shall be presented to the Director for approval. Before any organization certificate is approved, an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this Act; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Director it shall be the charter of the corporation, and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all of the liabilities conferred and imposed by this Act upon corporations organized hereunder.

"FEES

"SEC. 6. For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved, the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Director, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. Not later than January 31 of each calendar year, each Federal credit union shall pay to the Bureau, for the preceding calendar year, a supervision fee in accordance with a graduated scale prescribed by regulation on the basis of assets as of December 31 of such preceding year, but such fee shall in no event be less than \$10 nor more than the applicable amount specified in the following table:

"Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000-----	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000-----	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000-----	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

All such fees shall be deposited with the Treasurer of the United States for the account of the Bureau and may be expended by the Director for such administrative, supervisory, and other expenses incurred in carrying out the provisions of this Act as he may determine to be proper, the purpose of such fees being to defray such expenses as far as practicable. No annual supervision fee shall be payable by a Federal credit union with respect to the year in which its charter is issued, or in which final distribution is made in its liquidation or the charter is otherwise canceled.

"REPORTS AND EXAMINATIONS

"SEC. 7. Federal credit unions shall be under the supervision of the Director, and shall make financial reports to him as and when he may require, but at least annually. Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to, any person designated by the Director. The Director shall fix a scale of examination fees to be paid by Federal credit unions, giving due consideration to the time and expense incident to such examinations, and to the ability of Federal credit unions to pay such fees, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of such examination. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section 6, and shall be available for the purposes specified in such section.

"POWERS

"SEC. 8. A Federal credit union shall have succession in its corporate name during its existence and shall have power—

"(1) to make contracts;

"(2) to sue and be sued;

"(3) to adopt and use a common seal and alter the same at pleasure;

"(4) to purchase, hold, and dispose of property necessary or incidental to its operations;

"(5) to make loans with maturities not exceeding five years to its members for provident or productive purposes upon such terms and conditions as this Act and its bylaws provide and as the credit committee or a loan officer may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances, inclusive of all charges incident to making the loan; except that no loans to a director or member of the supervisory or credit committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member. No director or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan,

prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this paragraph, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Director after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such other factors as the Director deems relevant, but such rules and regulations shall not require payments more frequently than annually;

"(6) to receive from its members payments on shares;

"(7) to invest its funds (A) in loans exclusively to members; (B) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; (C) in accordance with rules and regulations prescribed by the Director, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; or (D) in shares or accounts of savings and loan associations, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation;

"(8) to make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business;

"(9) to borrow, in accordance with such rules and regulations as may be prescribed by the Director, from any source, in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: *Provided*, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital;

"(10) to levy late charges, in accordance with the bylaws, for failure of members to meet promptly their obligations to the Federal credit union;

"(11) to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or charges payable by him;

"(12) in accordance with rules and regulations prescribed by the Director, to sell to members negotiable checks (including travelers checks) and money orders, and to cash checks and money orders for members, for a fee which does not exceed the direct and indirect costs incident to providing such service; and

"(13) to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

"BYLAWS

"SEC. 9. In order to simplify the organization of Federal credit unions the Director shall from time to time cause to be prepared a form of organization certificate and a form of bylaws, consistent with this Act, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Director for his approval.

"MEMBERSHIP

"SEC. 10. Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Director, as may be elected to membership and as such shall each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that Federal credit union membership shall be limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. Shares may be issued in joint tenancy with right of survivorship with any persons designated by the credit union

member, but no joint tenant shall be permitted to vote, obtain loans, or hold office, unless he is within the field of membership and is a qualified member.

"MEMBERS' MEETINGS

"SEC. 11. The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote.

"MANAGEMENT

"SEC. 12. The business affairs of a Federal credit union shall be managed by a board of not less than five directors and a credit committee of not less than three members all to be elected at the annual members' meeting by and from the members and by a supervisory committee of three members one of whom may be a director other than the treasurer to be appointed by the board. Any vacancy occurring in the supervisory committee shall be filled in the same manner as original appointments to such committee. All members of the board and of such committees shall hold office for such terms respectively as the bylaws may provide. A record of the names and addresses of the members of the board and such committees and of the officers of the credit union shall be filed with the Bureau within ten days after their election or appointment. No member of the board or of either such committee shall as such be compensated.

"OFFICERS

"SEC. 13. At their first meeting after the annual meeting of the members the directors shall elect from their number a president, one or more vice presidents, a secretary, and a treasurer, who shall be the executive officers of the corporation. No executive officer, except the treasurer, shall be compensated as such. The offices of secretary and treasurer may be held by the same person. The duties of the officers shall be as determined by the bylaws, except that the treasurer shall be the general manager of the corporation. Before the treasurer shall enter upon his duties he shall give bond with good and sufficient surety, in an amount and character to be determined by the board of directors in compliance with regulations prescribed from time to time by the Director, conditioned upon the faithful performance of his trust.

"DIRECTORS

"SEC. 14. The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things they shall act upon applications for membership; require any officer or employee having custody of or handling funds to give bond with good and sufficient surety in an amount and character to be determined by the board of directors in compliance with regulations prescribed from time to time by the Director, and authorize the payment of the premium or premiums therefor from the funds of the Federal credit union; fill vacancies in the board and in the credit committee until successors elected at the next annual meeting have qualified; have charge of investments other than loans to members; determine from time to time the maximum number of shares that may be held by an individual; subject to the limitations of this Act, determine the interest rates on loans and the maximum amount which may be loaned with or without security to any member; subject to such regulations as may be issued by the Director, authorize an interest refund to members of record at the close of business on December 31 in proportion to the interest paid by them during that year; and provide for compensation of necessary clerical and auditing assistance requested by the supervisory committee, and of loan officers appointed by the credit committee. The board may appoint an executive committee of not less than three directors to act for it in the purchase and sale of securities or the making of loans to other credit unions, or both. Such executive committee or a membership officer appointed by the board from among the members of the credit union, other than the treasurer, an assistant treasurer, or a loan officer, may be authorized by the board to approve applications for membership

under such conditions as the board may prescribe; except that such committee or membership officer so authorized shall submit to the board at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require.

"CREDIT COMMITTEE

"SEC. 15. The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month to consider applications for loans. Reasonable notice of such meetings shall be given to all members of the committee. No loan shall be made unless it is approved by a majority of the entire committee and by all members of the committee who are present at the meeting at which the application is considered; except that the credit committee may appoint one or more loan officers, and delegate to him or them the power to approve loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the credit committee. No individual shall have authority to disburse funds of the Federal credit union for any loan which has been approved by him in his capacity as a loan officer. Not more than one member of the credit committee may be appointed as a loan officer. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan shall be made to any member which causes such member to become indebted to the Federal credit union in an aggregate amount, upon loans made to such member, which is in excess of \$200 or 10 per centum of the credit union's paid-in unimpaired capital and surplus, whichever is greater, or in excess of \$1,000 unless such excess over \$1,000 is adequately secured. For the purposes of this section an assignment of shares or the endorsement of a note shall be deemed security.

"SUPERVISORY COMMITTEE

"SEC. 16. The supervisory committee shall make or cause to be made, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; shall make or cause to be made a report of its quarterly examination to the board of directors; shall make or cause to be made an annual audit, a report of which shall be submitted to the members at the next annual meeting of the corporation; may suspend by a unanimous vote any officer of the corporation or any member of the credit committee or of the board of directors, until the next members' meeting, which members' meeting shall be held not less than seven nor more than fourteen days after such suspension and at which meeting such suspension shall be acted upon by the members; and may call by a majority vote a special meeting of the shareholders to consider any violation of this Act, the charter, or the bylaws, or any practice of the corporation deemed by the supervisory committee to be unsafe or unauthorized. Any member of the supervisory committee may be suspended by the board of directors. The members shall decide, at a meeting held not less than seven nor more than fourteen days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee. The supervisory committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once every two years. As used in this section, the term 'pass-book' shall include any book, statement of account, or other record approved by the Director for use by Federal credit unions.

"RESERVES

"SEC. 17. All entrance fees and charges provided by the bylaws and 20 per centum of the net earnings of each dividend period, before the declaration of any dividends, shall be set aside as a regular reserve against losses on bad loans and such other losses as may be specified in the bylaws in accordance with regulations prescribed under this Act: *Provided, however,* That when the regular reserve thus established shall equal 10 per centum of the total amount of members' shareholdings, no further transfer of net earnings to such regular reserve shall be required except that such amounts not in excess of 20 per centum of the

net earnings as may be needed to maintain this 10 per centum ratio shall continue to be transferred. In addition to such regular reserve, special reserves to protect the interests of members shall be established when required (1) by regulation, or (2) in any special case, when found by the Director to be necessary for that purpose.

"DIVIDENDS

"SEC. 18. Annually or semiannually, as the bylaws may provide, and after provision for the required reserves, the board of directors may declare a dividend to be paid from the remaining net earnings. Such dividend shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during such dividend period and are outstanding at the close of the period shall be entitled to a proportionate part of such dividend. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first five days of that month.

"EXPULSION AND WITHDRAWAL

"SEC. 19. A member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after an opportunity has been given him to be heard. Withdrawal or expulsion of a member shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in the manner specified in the bylaws.

"MINORS

"SEC. 20. Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. When shares are issued in trust, the name of the beneficiary shall be disclosed to the Federal credit union.

"CERTAIN POWERS OF DIRECTORS

"SEC. 21. (a) The Director may prescribe rules and regulations for the administration of this Act (including, but not by way of limitation, the merger, consolidation, and dissolution of corporations organized under this Act).

"(b) (1) The Director may suspend or revoke the charter of any Federal credit union, or place the same in involuntary liquidation and appoint a liquidating agent therefor, upon his finding that the organization is bankrupt or insolvent, or has violated any of the provisions of its charter, its bylaws, this Act, or any regulations issued thereunder.

"(2) The Director, through such persons as he shall designate, may examine any Federal credit union in voluntary liquidation and, upon his finding that such voluntary liquidation is not being conducted in an orderly or efficient manner or in the best interests of its members, may terminate such voluntary liquidation and place such organization in involuntary liquidation and appoint a liquidating agent therefor.

"(3) Such liquidating agent shall have power and authority, subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, (A) to receive and take possession of the books, records, assets, and property of every description of the Federal credit union in liquidation, to sell, enforce collection of, and liquidate all such assets and property, to compound all bad or doubtful debts, and to sue in his own name or in the name of the Federal credit union in liquidation, and defend such actions as may be brought against him as liquidating agent or against the Federal credit union; (B) to receive, examine, and pass upon all claims against the Federal credit union in liquidation, including claims of members on shares; (C) to make distribution and payment to creditors and members as their interests may appear; and (D) to execute such documents and papers and to do such other acts and things which he may deem necessary or desirable to discharge his duties hereunder.

"(4) Subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, the liquidating agent of a Federal credit union in involuntary liquidation shall (A) cause notice to be given to creditors and members to present their claims and make legal proof thereof, which notice shall be published once a week in each of three successive weeks in a newspaper of general circulation in each county in which the Federal credit union in liquidation maintained an office or branch for the transaction

of business on the date it ceased unrestricted operations; except that whenever the aggregate book value of the assets and property of a Federal credit union in involuntary liquidation is less than \$1,000, unless the Director shall find that its books and records do not contain a true and accurate record of its liabilities, he shall declare such Federal credit union in liquidation to be a 'no publication' liquidation, and publication of notice to creditors and members shall not be required in such case; (B) from time to time make a ratable dividend on all such claims as may have been proved to his satisfaction or adjudicated in a court of competent jurisdiction and, after the assets of such organization have been liquidated, make further dividends on all claims previously proved or adjudicated, and he may accept in lieu of a formal proof of claim on behalf of any creditor or member the statement of any amount due to such creditor or member as shown on the books and records of the credit union; but all claims not filed before payment of the final dividend shall be barred and claims rejected or disallowed by the liquidating agent shall be likewise barred unless suit be instituted thereon within three months after notice of rejection or disallowance; and (C) in a 'no publication' liquidation, determine from all sources available to him, and within the limits of available funds of the Federal credit union, the amounts due to creditors and members, and after sixty days shall have elapsed from the date of his appointment distribute the funds of the Federal credit union to creditors and members ratably and as their interests may appear.

"(5) Upon certification by the liquidating agent in the case of an involuntary liquidation, and upon such proof as shall be satisfactory to the Director in the case of a voluntary liquidation, that distribution has been made and that liquidation has been completed, as provided herein, the Director shall cancel the charter of such Federal credit union; but the corporate existence of the Federal credit union shall continue for a period of three years from the date of such cancellation of its charter, during which period the liquidating agent, or his duly appointed successor, or such persons as the Director shall designate, may act on behalf of the Federal credit union for the purpose of paying, satisfying, and discharging any existing liabilities or obligations, collecting and distributing its assets, and doing all other acts required to adjust and wind up its business and affairs, and it may sue and be sued in its corporate name.

"(c) After the expiration of five years from the date of cancellation of the charter of a Federal credit union the Director may, in his discretion, destroy any or all books and records of such Federal credit union in his possession or under his control.

"(d) The Director is authorized and empowered to execute any and all functions and perform any and all duties vested in him hereby, through such persons as he shall designate or employ; and he may delegate to any person or persons, including any institution operating under the general supervision of the Bureau, the performance and discharge of any authority, power, or function vested in him by this Act.

"(e) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Director.

"(f) The Director is authorized to make investigations and to conduct researches and studies of the problem of persons of small means in obtaining credit at reasonable rates of interest, and of the methods and benefits of cooperative saving and lending among such persons. He is further authorized to make reports of such investigations and to publish and disseminate the same.

"(g) Any officer or employee of the Bureau is authorized, when designated for the purpose by the Director, to administer oaths and affirmations and to take affidavits and depositions touching upon any matter within the jurisdiction of the Bureau.

"(h) The Director is authorized, empowered, and directed to require that every person appointed or elected by any Federal credit union to any position requiring the receipt, payment, or custody of money or other personal property owned by a Federal credit union, or in its custody or control as collateral or otherwise, give bond in a corporate surety company holding a certificate of authority from the Secretary of the Treasury under the Act approved July 30, 1947 (6 U.S.C., sec. 6-13), as an acceptable surety on Federal bonds. Any such bond or bonds shall be in a form approved by the Director with a view to providing surety coverage to the Federal credit union with reference to loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful abstraction, or misapplication on the part of the person, directly or through connivance with others, and such other surety coverages as the Director may determine to be reasonably appropriate or as elsewhere required by this

Act. Any such bond or bonds shall be in such an amount in relation to the money or other personal property involved or in relation to the assets of the Federal credit union as the Director may from time to time prescribe by regulation for the purpose of requiring reasonable coverage. In lieu of individual bonds the Director may approve the use of a form of schedule or blanket bond which covers all of the officers and employees of a Federal credit union whose duties include the receipt, payment, or custody of money or other personal property for or on behalf of the Federal credit union. The Director may also approve the use of a form of excess coverage bond whereby a Federal credit union may obtain an amount of coverage in excess of the basic surety coverage.

"FISCAL AGENTS AND DEPOSITORIES

"SEC. 22. Each Federal credit union organized under this Act, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States, including the issue, sale, redemption, or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes the Director shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this Act, when designated for that purpose by the Secretary of the Treasury, shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury.

"TAXATION

"SEC. 23. The Federal credit unions organized hereunder, their property, their franchises, capital, reserves, surpluses, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such Federal credit unions shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. Nothing herein contained shall prevent holdings in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders thereof in assessing taxes imposed by authority of the State or political subdivision thereof in which the Federal credit union is located; but the duty or burden of collecting or enforcing the payment of such a tax shall not be imposed upon any such Federal credit union and the tax shall not exceed the rate of taxes imposed upon holdings in domestic credit unions.

"PARTIAL INVALIDITY; RIGHT TO AMEND

"SEC. 24. (a) If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

"(b) The right to alter, amend, or repeal this Act or any part thereof, or any charter issued pursuant to the provisions of this Act, is expressly reserved.

"SPACE IN FEDERAL BUILDINGS

"SEC. 25. Upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this Act, at least 95 per centum of the membership of which is composed of persons who either are presently Federal employees or were Federal employees at the time of admission into the credit union, and members of their families, which application shall be addressed to the officer or agency of the United States charged with the allotment of space in the Federal buildings in the community or district in which such credit union does business, such officer or agency may in his or its discretion allot space to such credit union if space is available without charge for rent or services.

“CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND FROM STATE TO FEDERAL CREDIT UNION

“SEC. 26. (a) A Federal credit union may be converted into a State credit union under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, by complying with the following requirements:

“(1) The proposition for such conversion shall first be approved, and a date set for a vote thereon by the members (either at a meeting to be held on such date or by written ballot to be filed on or before such date), by a majority of the directors of the Federal credit union. Written notice of the proposition and of the date set for the vote shall then be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. Approval of the proposition for conversion shall be by the affirmative vote of a majority of the members, in person or in writing.

“(2) A statement of the results of the vote, verified by the affidavits of the president or vice president and the secretary, shall be filed with the Bureau within ten days after the vote is taken.

“(3) Promptly after the vote is taken and in no event later than ninety days thereafter, if the proposition for conversion was approved by such vote, the credit union shall take such action as may be necessary under the applicable State law to make it a State credit union, and within ten days after receipt of the State credit union charter there shall be filed with the Bureau a copy of the charter thus issued. Upon such filing the credit union shall cease to be a Federal credit union.

“(4) Upon ceasing to be a Federal credit union, such credit union shall no longer be subject to any of the provisions of this Act. The successor State credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the Federal credit union to the same extent as though the conversion had not taken place.

“(b) (1) A State credit union, organized under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, may be converted into a Federal credit union by (A) complying with all State requirements requisite to enabling it to convert to a Federal credit union or to cease being a State credit union, (B) filing with the Bureau proof of such compliance, satisfactory to the Director, and (C) filing with the Bureau an organization certificate as required by this Act.

“(2) When the Director has been satisfied that all of such requirements, and all other requirements of this Act, have been complied with, the Director shall approve the organization certificate. Upon such approval, the State credit union shall become a Federal credit union as of the date it ceases to be a State credit union. The Federal credit union shall be vested with all of the assets and shall continue responsible for all the obligations of the State credit union to the same extent as though the conversion had not taken place.

“TERRITORIAL APPLICABILITY OF ACT

“SEC. 27. The provisions of this Act shall apply to the several States, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico.”

SEC. 2. Section 2113(g) of title 18 of the United States Code is amended by inserting before the period at the end thereof “, and any ‘Federal credit union’ as defined in section 2 of the Federal Credit Union Act”.

SEC. 3. The Director of the Bureau of Federal Credit Unions shall submit to the Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions.

Passed the House of Representatives July 30, 1959.

Attest:

RALPH R. ROBERTS, *Clerk.*

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
June 15, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of April 27, 1959, for a report on S. 1786, a bill to amend the Federal Credit Union Act.

The bill proposes 22 substantive changes in the Federal Credit Union Act, some of which were originally suggested to the Congress by the Department of Health, Education, and Welfare as a part of the Financial Institutions Act (S. 1451 and H.R. 7026, 85th Cong.).

We would favor without modification the following 12 proposals:

1. To permit loans to directors and committee members up to the amount of their shareholdings in the credit union as now provided, plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or member of committee (sec. 3(a)).

2. To more specifically state the prohibition against endorsement of loans for borrowers by members of the supervisory or credit committee rather than committee member as presently provided (sec. 3(b)).

3. To permit the election of more than one vice president (sec. 6).

4. To change the title of the position now designated as "clerk" to "secretary" (sec. 6).

5. The new provision that "no executive officer, except the treasurer, shall be compensated as such" incorporates in the law a limitation now prescribed by the bylaws and accepted practice (sec. 6).

6. To provide specific authority for the board to compensate the necessary clerical and auditing assistance requested by the supervisory committee and the authority for the board to compensate loan officers appointed by the credit committee (sec. 7(b)).

7. To specify that dividends may be declared by the board of directors instead of by the members as now provided (sec. 10).

8. To provide that the bylaws may specify semiannual dividends rather than the present limitation to annual dividends (sec. 10).

9. To permit dividend credit for a full month on those shares which are or become fully paid up during the first 5 days of that month (sec. 10).

10. To permit allocation of space in Federal buildings to those credit unions having a membership composed of at least 95 percent of Federal employees instead of the present requirement that the membership be composed exclusively of Federal employees (sec. 12).

11. A provision which will make robbery of a Federal credit union a crime under Federal statute (sec. 15).

12. To extend the Federal Credit Union Act to the several territories and the several possessions in addition to the several States, the District of Columbia, the Panama Canal Zone, and the Commonwealth of Puerto Rico (sec. 13).

We would have no objection to the following seven changes subject to the suggested amendments and modifications:

1. Section 2 would extend the loan maturity from 3 years to 5 years. We are not aware of a great need for extended loan maturities. In fact a recent study of loans made by Federal credit unions indicates that only about 10 percent of the total number of loans made were for the present maximum limit of 3 years. It is recognized that loans for home improvement could be made to a better advantage if the maturity limit were extended. However, we should not be unmindful of the correlation between liquidity and loan maturities. Certainly the key to proper liquidity and solvency is the systematic amortization of loan receivables. These considerations would suggest that required amortization be a condition for approval of an increase of loan maturities and we would suggest an amendment which would provide authority to make loans with maturities not exceeding 5 years which shall be amortized by equal payments of principal together with interest during the term of the loan to be made not less frequently than annually.

2. Section 4 is intended to provide the specific authority for Federal credit unions to cash and sell checks and to make a reasonable charge therefor. Certainly the demand for such authority is not widespread. The convenience to members is not questioned but these activities have been known to impose a substantial workload upon the credit unions even to the point of interfering with

the normal activities of thrift and loan services. We find little justification for rendering this service to "individuals eligible to become members" as proposed. Legally and traditionally credit unions do business with members only and we do not believe that an exception in this area would be justified. We do not believe that credit union members should be required to pay a fee for a check which represents a withdrawal from their share accounts or for the proceeds of loan transactions by the members. In view of these considerations and further to cope with the hazards which are inherent in these activities we would suggest adoption of this proposal only if the authority is limited to service to members and made subject to rules and regulations of the Director designed to safeguard the credit union and the members' interests.

3. Section 5 provides for the appointment of the supervisory committee and the duties and powers of that committee. The provisions of this section represent a substantial departure from the traditional election of the supervisory committee by the members to the proposed appointment by the president subject to ratification by the board, which in turn identifies the committee with those responsible for the general management rather than with the membership and independent of management. We are aware of the fact that there are good arguments for making management more directly responsible for internal audit and control and consideration is also being given to alternative methods of audit and control. Our chief concern is that Federal credit unions will have the benefit of adequate and efficient audit and control. We do not believe that the president, who is an officer, should select the members of the supervisory committee who will be auditing his administration and we would therefore suggest an amendment to provide for a supervisory committee of three members to be elected by the board of directors.

If the method of election of the members of the supervisory committee is modified we would suggest amendment of section 5(b) to delete the authority of the president to suspend members of the supervisory committee. This would leave suspension action by either the supervisory committee or the board subject to the approval of the members. Moreover, unless ultimate authority here resides in the membership there could arise the untenable situation of cross suspensions with the membership able to decide only one.

4. Section 7(a) incorporates an entirely new concept of approval of applications for membership by permitting the board of directors to delegate to the membership chairman authority to act upon such applications. This proposal is made to eliminate the need for holding applications for membership for action until the next regular monthly meeting of the board and to avoid the necessity of convening a special meeting of the board to approve such applications at an earlier date. We agree that election to membership may reasonably be made by a committee or by an individual and accordingly have no reservation concerning the objective of this proposal. We do, however, suggest the necessity for incorporating the following limitations and additions:

(a) If the delegation is to an individual such person should not be the treasurer or assistant treasurer as specified, and neither should he be the loan officer as provided for in section 8. This exclusion would avoid the possibility of one-man control.

(b) The language of this section should specifically provide that all applications for membership not approved by the committee or membership chairman shall be presented to and acted upon by the board of directors.

(c) It appears to us that there are additional areas in which an executive committee made up of a number of the members of the board could effectively function under a limited delegation by the board. Such areas would include the buying and selling of the securities which are specifically prescribed in section 7 of the Federal Credit Union Act as authorized investments for Federal credit unions. The language of this proposed section would not appear to permit delegation to an executive committee and we would suggest such a revision so that if the board so desired specific delegations, including acting upon applications for membership, could be handled by an executive committee of the board.

5. Section 8 of the bill authorizes the credit committee to delegate to a loan officer power to approve loans up to the unsecured loan limit. The loan officer proposal is justified by the fact that the volume of loan applications in some Federal credit unions is rather large and the credit committee, which is not compensated, finds it difficult to give the time needed to render prompt loan service in many emergencies. We acknowledge the need for some relief in this area and in fact have advocated such a delegation providing the delegated authority was held within well-defined limitations. A recent study of loans made

by Federal credit unions indicates that loans of \$500 and less accounted for 66.4 percent of the total number of loans made. It appears that a delegation for loans of \$500 and less would give substantial relief to the credit committee in the matter of volume of applications and at the same time facilitate loan service. We do not believe it desirable to establish a direct relationship between the unsecured loan limit and approval of loans by a loan officer. Loans of less than the statutory loan limit may well require as much or more consideration as those of larger amounts. We believe it desirable to retain the credit committee consideration of larger loans and accordingly suggest that adequate relief to the credit committee and prompt service to the borrowers could be attained by limiting the delegation of authority to the loan officer to those applications for loans of \$500 and less.

6. Section 9 would increase the unsecured loan limit from \$400, as now provided, to \$1,000. The unsecured loan limit has been progressively increased by action of the Congress from an initial amount of \$50 in 1934 to \$100 in 1940, \$300 in 1946, and \$400 in 1949. We are quite proud of the loan experience and we believe that this experience would support some upward revision. On the other hand, we are not aware of any hardship for credit union members because of the limit placed upon unsecured loans. In fact the loan study made revealed that 46.2 percent of the total number of loans made were unsecured and that the average unsecured loan made was \$245. A 1956 summary of State laws governing State-chartered credit unions indicates that in those 29 States and the District of Columbia in which there is a statutory unsecured loan limit—

(a) Only one State (New York) has a limit in excess of \$500 and that is \$1,000 which applies only to credit unions having capital of \$2 million or more;

(b) Eight States (California, Connecticut, Illinois, Missouri, Oregon, Utah, Washington, Wisconsin) have an unsecured loan limit of \$500; and

(c) 19 States have lower limits (\$50 to \$400).

It appears inevitable that larger unsecured loans will increase the risk for Federal credit unions especially if loan maturities are increased to 5 years. For all these reasons we believe that an increase in the unsecured loan limit to \$500 would certainly impose no hardship on any credit union member and would not likely of itself, adversely affect the loss experience of Federal credit unions but would give some additional latitude in the extension of unsecured credit. We, therefore, recommend a limit of \$500 for unsecured loans.

7. Section 14 provides authority for conversion from a Federal to a State credit union and from a State to a Federal credit union. Actually we have had no problem in this area. Since 1934 there have been 27 Federal credit unions that changed to a State charter for a number of reasons. Three converted so that the officials could engage in the sale of insurance to members. Federal credit unions, their officials, or employees, many not profit from insurance sales arising out of credit union transactions. We further require that borrowers must be permitted a free choice in selecting an insurance company when insurance of the property pledged to the Federal credit union is required. Another 14 Federal credit unions have changed to State charter in order to make long-term real estate mortgage loans. Another 10 appear to have changed for miscellaneous reasons. We have no objection to conversion from a Federal charter; however, we believe that any legislation authorizing conversion from Federal to State charter should require the affirmative vote of at least a majority of the membership, either in person or in writing.

There have been 17 cases in which credit unions operating under State law have requested Federal charters. In most cases these credit unions served or desired to serve employees of an employer whose business activities extended beyond State boundaries and they were precluded from such operation by State law. These credit unions, with the approval of the State supervising authority, sought a Federal charter and, since they met the qualifications of the Federal Credit Union Act, Federal charters were issued. We would not accept any credit union which would seek to avoid proper supervision and regulation by a State authority. Nor do we desire to compete with any State in the chartering of credit unions. It seems to us, however, that the proposed language fails to provide for the same investigation and qualifications for Federal charters under this procedure as required for other applicants for Federal charters. Accordingly, we would suggest that the organization certificate filed with the Bureau by a State credit union should be subject to the same approval required by the act for individuals seeking an original Federal charter, and that such approval should be conditioned upon the Director being satisfied that all the requirements

of the act have been complied with, not merely upon completion of the three formal steps as now apparently provided in the bill.

The following proposals seem to us either unnecessary or undesirable and we would accordingly recommend against their enactment.

Proposed amendments to sections 2, 9, 10, and 11(d) of the Federal Credit Union Act introduce new authority for the chartering of and operation of Federal central credit unions which are chiefly distinguished by their inclusion of credit unions organized under Federal and State law as members. The proposed new section 7(e) would permit Federal credit unions to invest unlimited funds, in the shares of Federal and State central credit unions. Actually these proposals add very little flexibility for Federal credit unions. The present act permits Federal credit unions to borrow from any source. It also permits them to make loans to other credit unions. In addition there are officers credit unions which provide additional sources of borrowing for the officials who are limited in their borrowing from their own credit union. It is acknowledged that a number of the States do permit the organization of central credit unions and the investment therein by State-chartered credit unions. It seems, however, that through this vehicle there has developed in an unorganized manner a quasi-central system which in times of economic stress could not meet the real need of credit unions for a source of discount which would permit them to maintain the liquidity necessary to adequately serve their members. Certainly central credit unions which operate under the same statutory provisions as other credit unions could not hope to service any more effectively the needs of credit unions than the facilities that are now available.

We do not believe that a strong case could be made for unlimited investment by Federal credit unions in shares of central credit unions in order to obtain a greater yield from investments. We believe that experience has indicated that central credit unions could not pay a higher rate of dividend than the yield normally returned by the presently permitted investments.

In view of these considerations we do not feel that legislation to permit the organization of Federal central credit unions and to permit Federal credit unions to invest unlimited amounts in shares of central credit unions is either necessary or desirable and we would, therefore, not recommend these proposals for adoption.

Section 11 proposes a new subsection (h) to section 16 of the Federal Credit Union Act and provides that in every case of an adjudication by the Director under this act, determination shall be made on the record after giving the opportunity for a hearing to all persons and credit unions who may be directly affected by any order that may be issued as a result of such adjudication. First, we are not aware of any expressed desire for this provision by Federal credit unions. Further, we do not believe that the absence of this requirement during the 25-year history of Federal credit unions has presented any problem for either the Federal credit unions or the Bureau. In view of the fact that the Bureau operates without an appropriation of Treasury funds we are especially concerned with the additional time and expense that would be entailed. The funds that support the Bureau come directly from the fees paid by Federal credit unions and we would not be able to assume any additional items of expense without an increase in the fees charged. Certainly, if future growth of Federal credit unions indicates the desirability of such a provision we would favor its adoption, but for the reasons stated we would not favor its adoption at this time.

We would therefore recommend that the bill, modified as suggested above, be enacted by the Congress.

The Bureau of the Budget advises that it perceives no objection to the transmission of this report to your committee.

Sincerely yours,

ARTHUR S. FLEMMING, *Secretary.*

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., June 12, 1959.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of May 20, 1959, for a report on S. 1985, a bill to amend the Federal Credit Union Act.

This bill proposes 23 substantive changes in the Federal Credit Union Act—some of which were originally suggested to the Congress by the Department

of Health, Education, and Welfare as a part of the Financial Institutions Act (S. 1451 and H.R. 7026, 85th Cong.).

We would favor without modification the following 12 proposals:

1. To change references from "Farm Credit Administration," "Federal Deposit Insurance Corporation," and "Federal Security Agency" to "Department of Health, Education, and Welfare" (sec. 2, sec. 3).

2. To permit loans to directors and committee members up to the amount of their shareholdings in the credit union as now provided, plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or member of committee (sec. 8(5)).

3. To permit the election of more than one vice president (sec. 13).

4. To change the title of the position now designated as "clerk" to "secretary" (sec. 13).

5. The new provision that "no executive officer, except the treasurer, shall be compensated as such" incorporates in the law a limitation now prescribed by the bylaws and accepted practice (sec. 13).

6. To provide specific authority for the board to compensate the necessary clerical and auditing assistance requested by the supervisory committee and the authority for the board to compensate loan officers appointed by the credit committee (sec. 14).

7. To specify that dividends may be declared by the board of directors instead of by the members as now provided (sec. 18).

8. To provide that the bylaws may specify semiannual dividends rather than the present limitation to annual dividends (sec. 18).

9. To permit dividend credit for a full month on those shares which are or become fully paid up during the first 5 days of that month (sec. 18).

10. To permit allocation of space in Federal buildings to those credit unions having a membership composed of at least 95 percent of Federal employees instead of the present requirement that the membership be composed exclusively of Federal employees (sec. 25).

11. A provision which will make robbery of a Federal credit union a crime under Federal statute (sec. 27).

12. To extend the Federal Credit Union Act to the several Territories and the several possessions in addition to the several States, the District of Columbia, the Panama Canal Zone, and the Commonwealth of Puerto Rico (sec. 28).

We would have no objection to the following seven changes subject to the suggested amendments and modifications:

1. Section 8(5) would extend the loan maturity from 3 years to 5 years. We are not aware of a great need for extended loan maturities. In fact a recent study of loans made by Federal credit unions indicates that only about 10 percent of the total number of loans made were for the present maximum limit of 3 years. It is recognized that loans for home improvements could be made to a better advantage if the maturity limit were extended. However, we should not be unmindful of the correlation between liquidity and loan maturities. Certainly the key to proper liquidity and solvency is the systematic amortization of loan receivables. These considerations would suggest that required amortization be a condition for approval of an increase of loan maturities and we would suggest an amendment which would provide authority to make loans with maturities not exceeding 5 years which shall be amortized by equal payments of principal together with interest during the term of the loan to be made not less frequently than annually.

2. Section 8(12) is intended to provide the specific authority for Federal credit unions to cash and sell checks and to make a reasonable charge therefor. Certainly the demand for such authority is not widespread. The convenience to members is not questioned but these activities have been known to impose a substantial workload upon the credit unions even to the point of interfering with the normal activities of thrift and loan services. We find little justification for rendering this service to "individuals eligible to become members" as proposed. Legally and traditionally credit unions do business with members only and we do not believe that an exception in this area would be justified. We do not believe that credit union members should be required to pay a fee for a check which represents a withdrawal from their share accounts or for the proceeds of loan transactions by the members. In view of these considerations and further to cope with the hazards which are inherent in these activities we would suggest adoption of this proposal only if the authority is limited to service to members and made subject to rules and regulations of the Director designed to safeguard the credit union and the members' interests.

3. Sections 12 and 16 provide for the appointment of the supervisory committee and the duties and powers of that committee. The provisions of section 12 represent a substantial departure from the traditional election of the supervisory committee by the members to the proposed appointment by the president subject to ratification by the board, which in turn identifies the committee with those responsible for the general management rather than with the membership and independent of management. We are aware of the fact that there are good arguments for making management more directly responsible for internal audit and control and consideration is also being given to alternative methods of audit and control. Our chief concern is that Federal credit unions will have the benefit of adequate and efficient audit and control. We do not believe that the president, who is an officer, should select the members of the supervisory committee who will be auditing his administration and we would therefore suggest an amendment to provide for a supervisory committee of three members to be elected by the board of directors.

If the method of election of the members of the supervisory committee is modified we would suggest amendment of section 16 to delete the authority of the president to suspend members of the supervisory committee. This would leave suspension action by either the supervisory committee or the board subject to the approval of the members. Moreover, unless ultimate authority here resides in the membership there could arise the untenable situation of cross-suspensions with the membership able to decide only one.

4. Section 14 incorporates an entirely new concept of approval of applications for membership by permitting the board of directors to delegate to the membership chairman authority to act upon such applications. This proposal is made to eliminate the need for holding applications for membership for action until the next regular monthly meeting of the board and to avoid the necessity of convening a special meeting of the board to approve such applications at an earlier date. We agree that election to membership may reasonably be made by a committee or by an individual and accordingly have no reservation concerning the objective of this proposal. We do, however, suggest the necessity for incorporating the following limitations and additions:

(a) If the delegation is to an individual such person should not be the treasurer or assistant treasurer as specified, and neither should he be the loan officer as provided for in section 15. This exclusion would avoid the possibility of one-man control.

(b) The language of this section should specifically provide that all applications for membership not approved by the committee or membership chairman shall be presented to and acted upon by the board of directors.

(c) It appears to us that there are additional areas in which an executive committee made up of a number of the members of the board could effectively function under a limited delegation by the board. Such areas would include the buying and selling of the securities which are specifically prescribed in section 8 as authorized investments for Federal credit unions. The language of this proposed section would not appear to permit delegation to an executive committee and we would suggest such a revision so that if the board so desired specific delegations, including acting upon applications for membership, could be handled by an executive committee of the board.

5. Section 15 of the bill authorizes the credit committee to delegate to a loan officer power to approve loans up to the unsecured loan limit. This same section also proposes to increase the unsecured loan limit from \$400 to \$1,000. The loan officer proposal is justified by the fact that the volume of loan applications in some Federal credit unions is rather large and the credit committee, which is not compensated, finds it difficult to give the time needed to render prompt loan service in many emergencies. We acknowledge the need for some relief in this area and in fact have advocated such a delegation providing the delegated authority was held within well-defined limitations. A recent study of loans made by Federal credit unions indicates that loans of \$500 and less accounted for 66.4 percent of the total number of loans made. It appears that a delegation for loans of \$500 and less would give substantial relief to the credit committee in the matter of volume of applications and at the same time facilitate loan service. We do not believe it desirable to establish a direct relationship between the unsecured loan limit and approval of loans by a loan officer. Loans of less than the statutory loan limit may well require as much or more consideration as those of larger amounts. We believe it desirable to retain the credit committee consideration of larger loans and accordingly suggest that

adequate relief to the credit committee and prompt service to the borrowers could be attained by limiting the delegation of authority to the loan officer to those applications for loans of \$500 or less.

6. Section 15 as drafted would increase the unsecured loan limit from \$400, as now provided, to \$1,000. The unsecured loan limit has been progressively increased by action of the Congress from an initial amount of \$50 in 1934 to \$100 in 1940, \$300 in 1946, and \$400 in 1949. We are quite proud of the loan experience and we believe that this experience would support some upward revision. On the other hand, we are not aware of any hardship for credit union members because of the limit placed upon unsecured loans. In fact the loan study made revealed that 46.2 percent of the total number of loans made were unsecured and that the average unsecured loan made was \$245. A 1956 summary of State laws governing State-chartered credit unions indicates that in those 29 States and the District of Columbia in which there is a statutory unsecured loan limit:

(a) Only one State (New York) has a limit in excess of \$500 and that is \$1,000 which applies only to credit unions having capital of \$2 million or more,

(b) Eight States (California, Connecticut, Illinois, Missouri, Oregon, Utah, Washington, Wisconsin) have an unsecured loan limit of \$500, and

(c) Nineteen States have lower limits (\$50 to \$400).

It appears inevitable that larger unsecured loans will increase the risk for Federal credit unions especially if loan maturities are increased to 5 years. For all these reasons we believe that an increase in the unsecured loan limit to \$500 would certainly impose no hardship on any credit union member and would not likely of itself, adversely affect the loss experience of Federal credit unions but would give some additional latitude in the extension of unsecured credit. We, therefore, recommend a limit of \$500 for unsecured loans.

7. Section 26 provides authority for conversion from a Federal to a State credit union and from a State to a Federal credit union. Actually we have had no problem in this area. Since 1934 there have been 27 Federal credit unions that changed to a State charter for a number of reasons. Three converted so that the officials could engage in the sale of insurance to members. Federal credit unions, their officials or employees may not profit from insurance sales arising out of credit union transactions. We further require that borrowers must be permitted a free choice in selecting an insurance company when insurance of the property pledged to the Federal credit union is required. Another 14 Federal credit unions have changed to State charter in order to make long-term real estate mortgage loans. Another 10 appear to have changed for miscellaneous reasons. We have no objection to conversion from a Federal charter, however, we believe that any legislation authorizing conversion from Federal to State charter should require the affirmative vote of at least a majority of the membership, either in person or in writing.

There have been 17 cases in which credit unions operating under State law have requested Federal charters. In most cases these credit unions served or desired to serve employees of an employer whose business activities extended beyond State boundaries and they were precluded from such operation by State law. These credit unions, with the approval of the State supervising authority, sought a Federal charter and, since they met the qualifications of the Federal Credit Union Act, Federal charters were issued. We would not accept any credit union which would seek to avoid proper supervision and regulation by a State authority. Nor do we desire to compete with any State in the chartering of credit unions. It seems to us, however, that the proposed language fails to provide for the same investigation and qualification for Federal charters under this procedure as are specified in sections 5 and 10 for other applicants for Federal charters. Accordingly, we would suggest that the organization certificate filed with the Bureau by a State credit union should be subject to the same approval required by the act for individuals seeking an original Federal charter, and that such approval should be conditioned upon the Director being satisfied that all the requirements of the act have been complied with, not merely upon completion of the three formal steps as now apparently provided in the bill.

The following proposals seem to us either unnecessary or undesirable and we would accordingly recommend against their enactment.

Sections 2, 10 and 11 introduce new authority for the chartering of and operation of Federal central credit unions which are chiefly distinguished by their inclusion of credit unions organized under Federal and State law as members. Section 8(7) (e) would permit Federal credit unions to invest unlimited funds,

in the shares of Federal and State central credit unions. Actually these proposals add very little flexibility for Federal credit unions. The present act permits Federal credit unions to borrow from any source. It also permits them to make loans to other credit unions. In addition there are officers credit unions which provide additional sources of borrowing for the officials who are limited in their borrowing from their own credit union. It is acknowledged that a number of the States do permit the organization of central credit unions and the investment therein by State chartered credit unions. It seems, however, that through this vehicle there has developed in an unorganized manner a quasi-central system which in times of economic stress could not meet the real need of credit unions for a source of discount which would permit them to maintain the liquidity necessary to adequately serve their members. Certainly central credit unions which operate under the same statutory provisions as other credit unions could not hope to service any more effectively the needs of credit unions than the facilities that are now available.

We do not believe that a strong case could be made for unlimited investment by Federal credit unions in shares of central credit unions in order to obtain a greater yield from investments. We believe that experience has indicated that central credit unions could not pay a higher rate of dividend than the yield normally returned by the presently permitted investments.

In view of these considerations we do not feel that legislation to permit the organization of Federal central credit unions and to permit Federal credit unions to invest unlimited amounts in shares of central credit unions is either necessary or desirable and we would, therefore, not recommend these proposals for adoption.

Section 19 proposes a review by the Director if an expelled member requests it within 30 days after his expulsion by the members of the Federal credit union. The scope of this review and its consequences are not specified in the bill. If all that is intended is a limited review of the legality under the act and the bylaws of the procedure taken in the expulsion action, we believe the amendment is unnecessary. Authority already exists under the law for us to take action in case of violations of the law or of the bylaws, and the severity of the only available sanction (revocation of the charter—the bill apparently proposes no alternative) provides a strong deterrent and makes for very rare use of the authority. Any member of a Federal credit union is free to call to our attention any violation of which he is aware—whether in connection with his expulsion or otherwise—and request an investigation. The Bureau has never been reluctant to conduct such investigations and to attempt to correct any violations of the law or bylaws.

If, however, it is intended that the review is to include consideration of the merits of the dismissal, we would be opposed to it as unduly interfering with the rights of the credit union, since expulsion must be preceded by a two-thirds vote of the members present at a special meeting properly called for that purpose and after an opportunity for the member involved to be heard. The absence of standards in the act with respect to the right of a member to retain his membership would be an added ground for recommending against the proposal.

A new subsection (i) added to section 21 provides that in every case of an adjudication by the Director under this act, determination shall be made on the record after giving the opportunity for a hearing to all persons and credit unions who may be directly affected by any order that may be issued as a result of such adjudication. First we are not aware of any expressed desire for this provision by Federal credit unions. Further, we do not believe that the absence of this requirement during the 25-year history of Federal credit unions has presented any problem for either the Federal credit unions or the Bureau. In view of the fact that the Bureau operates without an appropriation of Treasury funds we are especially concerned with the additional time and expense that would be entailed. The funds that support the Bureau come directly from the fees paid by Federal credit unions and we would not be able to assume any additional items of expense without an increase in the fees charged. Certainly, if future growth of Federal credit unions indicates the desirability of such a provision we would favor its adoption, but for the reasons stated we would not favor its adoption at this time.

We would therefore recommend that the bill, modified as suggested above, be enacted by the Congress.

The Bureau of the Budget advises that it perceives no objection to the transmission of this report to your Committee.

Sincerely yours,

ARTHUR S. FLEMMING, *Secretary*.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, August 21, 1959.

HON. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of August 5, 1959, for a report on H.R. 8305, a bill to amend the Federal Credit Union Act. This bill proposes 19 substantive changes in the act, some of which were originally suggested to your committee by the Department of Health, Education, and Welfare as a part of the Financial Institutions Act (S. 1451, 85th Cong.)

We would favor without modification the following 17 proposals:

1. To extend the loan maturity from 3 years to 5 years subject to amortization requirements in accordance with rules and regulations prescribed by the Director (sec. 8(5)).

2. To permit loans to directors and committee members up to the amount of their shareholdings in the credit union as now provided plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or member of committee (sec. 8(5)).

3. To more specifically state the prohibition against endorsement of loans for borrowers by members of the supervisory or credit committee rather than "committee member" as presently provided (sec. 8(5)).

4. To provide specific authority for Federal credit unions to cash and sell checks for members only and to make a reasonable charge therefore in accordance with rules and regulations prescribed by the director (sec. 8(12)).

5. To provide for the appointment of the supervisory committee by the board of directors rather than by election by the members (sec. 12).

6. To permit the election of more than one vice president (sec. 13).

7. To change the title of the position now designated as "clerk" to "secretary" (sec. 13).

8. To incorporate in the law the limitation now prescribed by the bylaws that no executive officer, except the treasurer, shall be compensated as such (sec. 13).

9. To provide specific authority for the board to compensate the necessary auditing assistance requested by the supervisory committee and the loan officers appointed by the credit committee (sec. 14).

10. To permit the board to appoint an executive committee to act for it in the purchase and sale of securities or the making of loans to other credit unions, or both, and to authorize such committee or a membership officer appointed by the board (other than the treasurer, an assistant treasurer or a loan officer) to approve applications for membership under such conditions as the board may prescribe (sec. 14).

11. To specify that dividends may be declared by the board of directors instead of by the members as now provided (sec. 18).

12. To provide that the bylaws may specify semiannual dividends rather than the present limitation to annual dividends (sec. 18).

13. To permit dividend credit for a full month on those shares which are or become fully paid up during the first 5 days of that month (sec. 18).

14. To permit allocation of space in Federal buildings to those credit union at least 95 percent of the membership of which is composed of persons who are presently or were Federal employees at the time of admission into the credit union, and members of their families, instead of the present requirement that the membership be composed exclusively of Federal employees and members of their families (sec. 25).

15. To provide specific authority which would permit under certain conditions the conversion from a Federal to a State credit union and from a State to a Federal credit union (sec. 26).

16. To extend the Federal Credit Union Act to the several Territories and the several possessions in addition to the several States, the District of Columbia, the Panama Canal Zone, and the Commonwealth of Puerto Rico (sec. 27).

17. To amend section 2113(g) of title 18 of the United States Code so that robbery of a Federal credit union will be a crime under Federal statute.

Section 15 of the bill would increase the unsecured loan limit from \$400 as now provided to \$1,000 and would authorize the credit committee to delegate to a loan officer power to approve loans up to the unsecured loan limit. We are quite proud of the loan experience of Federal credit unions and we believe that an upward revision of the unsecured loan limit is warranted. Your committee, upon our recommendation, proposed an unsecured loan limit of \$500 in the

Financial Institutions Act (S. 1451, 85th Cong.) and we again recommended the \$500 to the House Committee on Banking and Currency during the consideration of this bill. While we believe that some upward revision is justified, we do not feel that the \$1,000 limit is warranted by experience.

We support a delegation of authority to a loan officer to approve loans within limitations. This proposal was one of our recommendations to your committee for title VII of the Financial Institutions Act. We do not, however, believe it desirable to establish a direct relationship between the unsecured loan limit and approval of loans by a loan officer. Accordingly, we suggest that adequate relief to the credit committee and prompt service to the borrowers could be attained by limiting the delegation of the authority to the loan officer to those applications for loans of \$500 and less.

During the consideration of Federal credit union legislation by the Committee on Banking and Currency of the House our testimony indicated that we did not feel legislation to permit the organization of Federal central credit unions and to permit Federal credit unions to invest unlimited funds in shares of central credit unions is either necessary or desirable. We further indicated that this type of central credit union could not meet the real need of credit unions for a source of discount which would permit them to maintain the liquidity necessary to adequately serve their members. H.R. 8305 would require the Director of the Bureau of Federal Credit Unions to submit to the Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions. We, of course, would be happy to study this matter further and to submit our findings to the Congress but we do not believe that the requirement made by section 3 of the bill is either desirable or necessary.

We would, therefore, recommend that the bill modified as suggested be enacted by the Congress.

The Bureau of the Budget advises that it perceives no objection to the submission of this report to your committee.

Sincerely yours,

ARTHUR S. FLEMMING, *Secretary.*

DEPARTMENT OF AGRICULTURE,
Washington, D.C., July 23, 1959.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR SENATOR ROBERTSON: This is in reply to the committee's request of April 27, 1959, for a report on S. 1786, a bill to amend the Federal Credit Union Act.

This bill would amend the Federal Credit Union Act so as to facilitate the methods of operation for Federal credit unions and to make other changes of a technical nature.

The Department of Agriculture has no responsibility for the administration of the Federal Credit Union Act and therefore it does not feel that it is in a position to make a recommendation as to the passage of the proposed legislation. However, the credit unions chartered under the Federal Act provide a very beneficial savings and loan service to Department employees, both here in Washington and in the field, and from a personnel standpoint the Department is interested in seeing that these organizations continue to render such service.

It should be noted that section 12 of the bill is evidently intended to authorize the allotment of space in Federal buildings to credit unions the membership of which is composed primarily of Federal employees and members of their families or retired Federal employees and members of their families. As the section is now worded, there is a possibility that the "members of their families" language would be construed as applicable only to members of the families of retired Federal employees. We suggest, therefore, that consideration be given to amending the language of this section to remove any doubt on this point.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely yours,

TRUE D. MORSE, *Acting Secretary.*

DEPARTMENT OF AGRICULTURE,
Washington, D.C., July 23, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR SENATOR ROBERTSON: This is in reply to the committee's request of May 20, 1959, for a report on S. 1985, a bill to amend the Federal Credit Union Act.

This bill would amend the Federal Credit Union Act so as to facilitate the methods of operation for Federal credit unions and to make other changes of a technical nature.

The Department of Agriculture has no responsibility for the administration of the Federal Credit Union Act and therefore it does not feel that it is in a position to make a recommendation as to the passage of the proposed legislation. However, the credit unions chartered under the Federal Act provide a very beneficial savings and loan service to Department employees, both here in Washington and in the field, and from a personnel standpoint the Department is interested in seeing that these organizations continue to render such service.

It should be noted that section 25 of the bill is evidently intended to authorize the allotment of space in Federal buildings to credit unions the membership of which is composed primarily of Federal employees and members of their families or retired Federal employees and members of their families. As the section is now worded, there is a possibility that the "members of their families" language would be construed as applicable only to members of the families of retired Federal employees. We suggest, therefore, that consideration be given to amending the language of this section to remove any doubt on this point.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely yours,

TRUE D. MORSE, *Acting Secretary.*

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, D.C., August 20, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of August 5, 1959, for the Board's views on H.R. 8305, a bill to amend the Federal Credit Union Act. It is understood that your committee also desires any comments the Board might have with respect to S. 1786, S. 1907, and S. 1985, each providing certain amendments to the Federal Credit Union Act.

H.R. 8305 completely rewrites the Federal Credit Union Act. It contains numerous provisions of a clarifying nature, most of which appear to be technical or to contain no important substantive changes. Many of these are concerned with internal management and organization of Federal credit unions. The Board has no comments with respect to these provisions.

It is recognized that Federal credit unions serve a useful and constructive purpose but should be limited to the area of operations for which they were originally authorized. In view of the special privileges which are accorded to credit unions on the basis of their nonprofit and cooperative character, the Board believes it is important that their activities be required at all times to conform to such character and to avoid undesirable commercialism. The Board has some question whether some of the changes now proposed may not tend to encourage undue expansion of credit unions in a manner at variance with their basic purposes. Especially careful consideration of these proposals from this point of view would be desirable in order that credit unions may serve their proper purposes but without tending to become organizations of a commercial character.

It is noted that both S. 1786 and S. 1985 contain provisions which would permit the chartering of Federal central credit unions. The Board questions the need for granting authority for this purpose since such authority would not contribute to the soundness or stability of credit unions that are operating in their proper sphere and in some instances might tend to encourage undesirable promotional activity.

H.R. 8305, S. 1786, and S. 1985 all contain provisions which would increase maximum maturities of loans from 3 to 5 years and would increase unsecured loan limits from \$400 to \$1,000, while S. 1907 would increase unsecured loan limits from \$400 to \$800. The Board understands that these changes are designed primarily to facilitate home improvement loans by credit unions. In the light of the facilities for this purpose provided by the FHA title I program and the risks inherent in unsecured uninsured loans of longer maturities, the Board does not favor such an amendment. An alternative might be to limit any such expansion of the authority of the credit unions to make unsecured home improvement loans to those insured under title I.

Sincerely yours,

WM. McC. MARTIN, Jr.

COMPTROLLER GENERAL OF THE UNITED STATES,

Washington, May 15, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR MR. CHAIRMAN: Your letter of April 27, 1959, acknowledged April 28, forwarded for our consideration a copy of S. 1786, a bill proposing various changes in the Federal Credit Union Act (12 U.S.C. 1751 et seq.).

We have no special information or knowledge as to the need for or desirability of the proposed changes, which, among other things, would increase the loan authority of Federal credit unions, and therefore make no recommendation concerning the proposed legislation.

Sincerely yours,

JOSEPH CAMPBELL,

Comptroller General of the United States.

COMPTROLLER GENERAL OF THE UNITED STATES,

Washington, May 28, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR MR. CHAIRMAN: Your letter of May 20, 1959, acknowledged May 21, forwarded for our consideration a copy of S. 1985, a bill proposing various changes in the Federal Credit Union Act (12 U.S.C. 1751 et seq.).

We have no special information or knowledge as to the need for or desirability of the proposed changes, which, among other things, would increase the loan authority of Federal credit unions, and therefore make no recommendation concerning the proposed legislation.

Sincerely yours,

JOSEPH CAMPBELL,

Comptroller General of the United States.

FEDERAL DEPOSIT INSURANCE CORPORATION,

Washington, August 20, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: We have your request for our views on H.R. 8305, as passed by the House of Representatives, and on S. 1786, S. 1907 and S. 1985, which are bills to amend the Federal Credit Union Act.

The main purpose of credit unions is to make available to people of small means credit for provident purposes through a system of cooperative credit. Credit unions serve a good purpose in the field of small loans with interest rates of 1 percent a month and save those within their group, who do not have access to bank credit, from the extremely high rates of interest of loan sharks.

In considering the enlargement of the functions of credit unions, as proposed in H.R. 8305, S. 1786, and S. 1985, by increasing the unsecured loan limit from \$400 to \$1,000 and the loan maturities from 3 to 5 years and permitting the cashing of checks and selling of checks, Congress should be mindful of the effect on existing financial institutions and avoid the establishment of a third financial

system in addition to the banking system and savings and loan system of the country. The gradual expansion of the functions of credit unions would add impetus to the rapid growth and change in the character of credit unions, and could result in excessive competition for funds with high rates of interest or dividends and risk investments to maintain such competition. This could endanger existing institutions and those with funds in such institutions, just as overbanking and excessive competition did in the banking field in the 1920's.

Another matter for serious consideration is the management capacity of credit unions for such enlarged functions. It is noted that 6.2 percent had assets between \$500,000 and \$1 million, and 4.4 percent had assets in excess of \$1 million. Our experience has clearly indicated that the important factor in the success of financial institutions in these size groupings is competent management.

With these considerations in mind, we believe that Federal credit unions should stick to their last. Their functions should be limited to reasonable cooperative credit to members of their group in the small loan field. In 1957, the average size of secured and unsecured loans of Federal credit unions was \$516. We understand that a recent study of loans of Federal credit unions revealed that about 46 percent of the number of loans made were unsecured and that the average unsecured loan was \$245. Under such circumstances, if any increase is considered advisable, an increase of the unsecured loan limit from \$400 to \$500, instead of \$1,000 as proposed in H.R. 8305, S. 1786, and S. 1895 and instead of \$800 as proposed in S. 1907, would be adequate for small loans in a cooperative venture. Four loans averaging about \$500, the 3-year limit on maturities is a reasonably adequate time for repayment. As a comparison, Federal Housing Administration regulations provide for a 3-year maturity on existing property improvement loans of \$600 or less (24 C.F.R. 201.2(d) (2) (i)). Longer term credit facilities in banks and savings and loan associations should be generally available for sound loans. For these reasons, we recommend that, if any increase in the unsecured loan limit is considered advisable, it be not increased beyond \$500 and that the 3-year limit on maturities be continued.

In view of the purposes for which Federal credit unions were created and their management capacities, it is questionable whether they should be authorized to loan as much as 10 percent of their capital (outstanding shares) and surplus to any one person. It should be noted that the protection of the unsecured loan limit is reduced by the provision in the Federal Credit Union Act that the endorsement of a note shall be deemed security. Banks are generally limited to loaning any one person about 10 percent of their capital and surplus. Capital funds in banks average about 8 percent of assets. As a rough comparison, a bank may loan eight-tenths of 1 percent of its assets to one person and a Federal credit union may loan 10 percent of its assets to one person. It would seem appropriate that loans to any member by a Federal credit union be more reasonably restricted to a certain maximum dollar limitation, which would be in line with their basic purpose and their management capacity.

We see no objection to Federal credit unions cashing checks for members in connection with credit union transactions, that is, where checks are cashed in connection with the purchase of shares or payments on loans. Nor is the issuance of its check by a Federal credit union in connection with such transactions or in payment of the amount of shares withdrawn by a member objectionable. But we do think Federal credit unions would be expanding beyond the functions for which they were created and infringing upon the function of banks by engaging in check cashing generally and by selling their checks, the same as drafts or money orders. Accordingly, we recommend that a Federal credit union be authorized to cash checks for members in connection with the purchase of shares or payments on loans and to issue its checks in connection with such transactions or in payment of the amount of any shares withdrawn and to impose service charges on its members.

S. 1786 and S. 1985 would require a hearing on every adjudication which would include any agency process for the disposition of any matter other than rule-making, including requests for a charter, approval, or other form of permission, or any revocation or suspension. Such a provision could easily hamper the administration of the Federal Credit Union Act. No need is apparent for this provision. There is presently a right of judicial review of agency action under the Administrative Procedure Act. This hearing provision would also burden Federal credit unions with additional administrative costs far beyond any conceivable benefits. Accordingly, we recommend that such hearing provision be not enacted.

The authority of the Director of Federal Credit Unions to regulate the borrowing by Federal credit unions, that would be added by H.R. 8305, is desirable, particularly with reference to borrowing for purposes of relending which in some circumstances may be regarded as unsound exposure of the share investments of members of the credit union.

We have been advised by the Bureau of the Budget that it has no objection to the submission of this report.

Sincerely yours,

JESSE P. WOLCOTT, *Chairman.*

The CHAIRMAN. I have a letter from Mr. Gidney, the Comptroller of the Currency, in which he said:

Sometime ago you indicated that you would like some information from us as to credit unions. A member of our staff, Assistant Chief National Bank Examiner C. C. Fleming, has reviewed this subject and put his findings in memorandum form. This has been reviewed and concurred in by Deputy Comptroller L. A. Jennings, and it seems to me to be accurate and complete.

He enclosed a memorandum which, without objection, will go in the record.

(The memorandum referred to follows:)

MEMORANDUM RE CREDIT UNIONS

Credit unions are cooperative associations organized in accordance with State law or the Federal Credit Union Act to promote thrift among their members and create a source of credit for provident and productive purposes. Membership is limited to a group of persons having a common bond of association, occupation, or residence. Federal credit unions are chartered, examined, and supervised by the Bureau of Federal Credit Unions in the Social Security Administration of the Department of Health, Education, and Welfare. Other credit unions are chartered under the laws of their respective States. Members' shareholdings are not insured by any agency of the Government.

ORGANIZATION PLAN

A credit union organization consists of a membership which is limited to persons elected by the board of directors from applicants who are included in the field of membership as defined in the charter of the credit union. Each member present at the annual meeting or special meetings has one vote. Ordinarily, only members may borrow from the credit union. The members elect directors and committeemen, exercise control over the credit union's activities, and receive reports each year from the board of directors, committees, and administrative officers.

The board of directors, not less than five persons in Federal credit unions, elected by the members, directs activities according to law and bylaws and elects administrative officers and employees.

A supervisory committee of not less than three members in Federal credit unions elected by the membership, examines the affairs of the credit union and audits its books.

A credit committee of not less than three members in the case of Federal credit unions, elected by the membership, passes on members' applications for loans and outlines plans for their repayment.

In some cases there may be an educational committee appointed by the board of directors to develop and present programs to extend members' knowledge of credit, thrift, and related subjects.

The president is elected by the board of directors and presides at meetings of the board and members and he presents an annual report of the board to members.

The vice president, appointed by the board of directors, acts in the president's absence or disability.

The treasurer, appointed by the board of directors, acts as the general manager of the credit union, has charge of its assets, keeps its books, and prepares financial and statistical reports that may be required by the supervisory authority. This may be a salaried office.

The clerk, appointed by the board of directors, keeps the minutes of meetings of the board and members. This office may be combined with that of treasurer.

The number of employees, usually hired by the treasurer, is dependent upon the needs of the particular credit union.

TAXES

Credit unions pay no taxes since they are exempt from State, Federal, and local taxes on their property, franchise, capital, reserves, surplus, and income.

GROWTH

There are now about 18,750 credit unions (9,000 of which are under Federal charter and 9,750 under State charter) in the United States—double the number 10 years ago. They have nearly 10,600,000 members (5.2 million Federal and 5.4 million State)—triple the number 10 years ago, and the total of their assets is estimated at \$4.4 billion (\$2 billion Federal and \$2.4 billion State)—6½ times more than 10 years ago. Nearly 4 percent of the credit unions have assets in excess of \$1 million whereas 10 years ago only 0.2 percent were in this size group. About 15,000, or 80 percent of the credit unions, are located in manufacturing plants. Employees of such plants account for 90 percent of the total membership.

Credit unions hold 8 percent of the Nation's consumer installment credit, 17 percent of all personal loans, and 6 percent of all automobile loans. They make real estate mortgage and other secured loans, and cash payroll checks in some cases. In many instances the participant credit union members receive life insurance equal to double the amount of their shareholdings. Some credit unions provide credit life insurance.

The dividend rates paid on funds of participants range from 4 to 5 percent. After paying dividends, Federal credit unions increased their surplus and reserve funds 25 percent from retained earnings in 1957 (1958 figures are not yet available). Their share accounts are not insured and although there was a proposal under consideration to introduce a bill in 1956 to amend the Federal Credit Union Act so as to provide for insurance of shareholdings in Federal and State credit unions, and for other purposes, I understand that the representative organization of credit unions (Credit Union National Association) was opposed as it would increase costs by reason of the insurance and additional supervision.

For the most part, credit unions operate in space—free of charge—provided by companies whose employees make up their membership.

PROPOSED LEGISLATION

The following bills propose to recodify the Federal Credit Union Act with certain amendments which will be commented upon later in this memorandum: S. 1985, H.R. 3674, H.R. 3675, H.R. 5939, H.R. 5958, H.R. 5988, H.R. 6089, H.R. 6122, H.R. 6161, H.R. 6241, and H.R. 6755. These bills are alike. The following bills propose to amend the Federal Credit Union Act: S. 1786, H.R. 5777, H.R. 6407, H.R. 6927, H.R. 7009, and H.R. 7144. These bills are alike.

S. 107 would amend the Federal Credit Union Act to decrease the maximum interest rate on loans from 1 percent to three-quarters of 1 percent and increase the maximum amount of any unsecured loan from \$400 and \$800.

The other bills would amend the Federal Credit Union Act as follows:

1. To provide for the chartering of Federal central credit unions to serve the membership of Federal and State-chartered credit unions for the principal purpose of acting as a source of additional funds and an investment medium for member credit unions.

Actually, these proposals would add very little to the flexibility for Federal credit unions. The present act permits Federal credit unions to borrow from any source and to make loans to other credit unions. In addition, there are officers' credit unions which provide additional sources of borrowing for the officials who are limited in their borrowing from their own credit unions. It seems doubtful that central credit unions would any more effectively service the needs of credit unions that the facilities that are now available to them. It, therefore, seems questionable whether there is any need for central credit unions and whether what might be called a central bank for credit unions would be desirable.

2. To increase the loan maturity limit from 3 to 5 years for the purpose of allowing Federal credit unions to more adequately meet the demands of their members for various types of loans.

There seems to be no great need for extending loan maturities. I understand that a recent study made by the Bureau of Federal Credit Unions indicates that only about 10 percent of the total number of loans made were for the present maximum limit of 3 years. Possibly some home improvement loans could be made to better advantage if the maturity limit were extended; however, if this should be considered necessary, it would seem appropriate to also provide that such loans be amortized by equal payments of principal together with interest during the term of the loan to be made at frequent regular intervals.

3. To permit loans to directors and committee members up to the amount of their shareholdings in the credit union plus the total unencumbered and unpledged shareholdings in the credit union of any member pledged as security for the obligation of such director or committee member. The purpose is to liberalize the borrowing restrictions under which they are now limited to the amount of their individual shareholdings.

I have no comment on this provision.

4. To permit investment by Federal credit unions in shares of a central credit union.

The matter of central credit unions was commented upon under number 1.

5. To permit the charging of members and individuals eligible to become members a reasonable fee for the cashing or selling of checks not to exceed the direct and indirect costs incident to providing such service.

It does not seem proper to require credit union members to pay a fee for a check which represents a withdrawal from their share accounts or for the proceeds of a loan transaction. Where paychecks are cashed, it would seem appropriate that arrangements be made between the credit union and the employer to provide reasonable compensation for this type of service. It seems to me that a service of cashing checks for members, and especially nonmembers, goes beyond the concept of the purpose of credit unions.

6. To provide for appointment of the members of the supervisory committee, one of whom may be a director other than the treasurer, by the president, such appointment to be subject to ratification by the board.

In order to assure that Federal credit unions will have the benefit of adequate and efficient audit and control, if the supervisory committee is not to be elected by the membership, it would be selected by the board of directors and not appointed under the authority of the president. Sound internal control policy contemplates that those responsible for such activities should be accountable only to the board of directors.

7. To provide for one or more vice presidents.

I have no comment on this provision.

8. To change the title of the officer called "clerk" to that of "secretary."

I have no comment on this provision.

9. To prohibit compensation to any executive officer, other than the treasurer, for services rendered as such.

I have no comment on this provision.

10. To provide that in addition to the board of directors acting directly upon applications for membership, it may appoint from the members (other than the treasurer or assistant treasurer) a membership chairman who shall also be authorized to act upon such applications within limitations set by the board. The purpose of this amendment would be to enable credit unions to make their services available more quickly to applicants for membership.

This provision, in my opinion, would create the possibility of a one-man control of the credit union since the person designated as membership chairman could put aside applications of those who may not, in his view, be desirable. At the expense of some delay, it would seem advisable to avoid the possibility of one-man control and keep the membership authority in the hands of a committee.

11. To authorize the board to compensate necessary auditing assistants appointed by the supervisory committee and loan officers appointed by the credit committee.

I have no comment on this provision.

12. To increase the unsecured loan limit from \$400 to \$1,000.

I understand that the unsecured loan limit has been progressively increased by the Congress from an initial amount of \$50 in 1934 to \$100 in 1940, \$300 in 1946, and \$400 in 1949. A loan study made by the Bureau of Federal Credit Unions revealed that 46.2 percent of the total number of loans made were unsecured and that the average unsecured loan made was \$245. Furthermore, only 1 State, New York, has a limit in excess of \$500, 8 States (California, Connecticut,

Illinois, Missouri, Washington, Utah, Oregon, and Wisconsin) have an unsecured loan limit of \$500, and 19 States have lower limits ranging from \$50 to \$400. It would, therefore, seem that an increase in the unsecured loan limit to \$500 would be adequate.

13. To permit appointment by the credit committee of one or more loan officers to approve loans up to the unsecured limit or in excess of such limit if the excess is fully secured by unpledged shares. The purpose is to provide a means of reducing the burden upon the credit committee.

I doubt that there is any proper relationship between the unsecured loan limit and the authority that should be granted to a loan officer to make loans. It would seem that the board of directors should limit each loan officer's authority to make loans in accordance with their determination of his personal capacity to appraise the credit worthiness of borrowers.

14. To authorize the board of directors to declare dividends rather than the membership.

I have no comment on this provision.

15. To permit annual or semiannual dividends as the bylaws of each credit union may provide rather than the present limitation to annual dividends.

I have no comment on this provision.

16. To provide that dividend credit for a month may be accrued on shares which are or become fully paid up during the first 5 days of that month.

I have no comment on this provision.

17. To provide that a member expelled from a credit union may obtain a review of such expulsion by the Director of the Bureau. The purpose is to provide a method of review for the reason that expulsion for an invalid reason may seriously affect a person's standing and reputation in the community.

I have no comment on this provision.

18. To place the Bureau of Federal Credit Unions under all provisions of the Administrative Procedure Act. At present it is subject only to the rulemaking provisions of the act. The purpose is to give Federal credit unions and proposed new credit unions the right to a hearing on adjudications made by the Bureau and to create a formal record of such hearings.

This provision would make all supervisory decisions of the Bureau subject to a public hearing. In other words, if the management of a Federal credit union is dissatisfied with the requirements of the Bureau that certain assets be charged off by reason of adverse findings of an examiner contained in his report of examination, the matter could be the subject of a public hearing. Although it might be regarded as being opposed to virtue to say that public hearings should not be permitted with respect to such matters, this prerogative, if allowed, could result in bogging down the supervisory authority to the point of its becoming ineffective. It would seem that administrative decisions of the Bureau with respect to its supervisory authority could be better handled in private.

19. To permit allocation of space in Federal buildings to credit unions having a membership composed of at least 95 percent of persons who are either presently Federal employees or are retired employees, and members of their families. At present allocation of such space is permitted to credit unions, the membership of which is composed exclusively of Federal employees and members of their families. The purpose of this provision is to allow credit unions to continue the membership of retired Federal employees and to extend membership to a limited number of employees of private contractors, American Legion, and Red Cross personnel working along with Federal employees at Federal installations without jeopardizing the credit union's eligibility for space in Federal buildings.

I have no comment on this provision.

20. To add a new section to the act to provide for conversion from Federal to State-chartered credit unions and vice versa. The purpose is to make specific provision for such conversion. Under certain circumstances this action may be determined desirable by a credit union and acceptable to the supervisory agencies involved. However, the Federal Credit Union Act is silent in this connection.

I understand that since 1934 there has been 27 Federal credit unions converted to State-chartered institutions for a number of reasons. Three converted so that the officials could engage in the sale of insurance to members, now prohibited in connection with credit union transactions. Another 14 Federal credit unions changed to State-chartered institutions in order to make long-term real estate mortgage loans. Ten appear to have changed for miscellaneous reasons. Under the proposed amendment to the act the conversion could be effected by

approval of a majority of the directors and by the affirmative vote of not less than two-thirds of the members present and voting at the meeting. Statutes governing the conversion of other financial institutions generally require the affirmative vote of a majority of the directors and the owners of not less than two-thirds of the shares of capital stock. It would seem no less appropriate with respect to the protection of the membership to require not only majority approval of the board of directors but an affirmative vote of the owners of not less than two-thirds of the shares of the credit union seeking to convert.

21. To add a provision making robbery of a Federal credit union a crime under Federal statute.

I have no comment on this provision.

22. To expand the provisions of the act to include the several Territories and several possessions of the United States.

I have no comment on this provision.

23. To modify various sections of the act so as to clarify and modernize it so as to make substantive changes.

I have no comment on this provision.

C. C. FLEMING,
Assistant Chief National Bank Examiner.

Federal Credit Union highlights for the year 1958

Item	Number or amount		Change during year	
	1958	1957	Number or amount	Per cent
Outstanding charters Dec. 31.....	9,533	9,202	331	3.6
Number of charters issued.....	586	662	-76	-11.5
Charters canceled.....	255	194	61	31.4
In liquidation Dec. 31.....	445	391	54	13.8
Number chartered but not yet operating.....	58	76	-18	-23.7
Number in operation Dec. 31.....	9,030	8,735	295	3.4
Number paying dividends.....	8,000	7,712	288	3.7
Amount of dividends paid to members (millions).....	\$63.1	\$54.0	\$9.1	16.8
Number paying interest refund.....	1,396	1,156	240	20.8
Amount of interest refunded to borrowers (millions).....	\$4.4	\$3.6	\$0.7	19.8
Membership.....	5,209,912	4,897,689	312,223	6.4
Shares (millions).....	\$1,812.0	\$1,589.2	\$222.8	14.0
Average per member.....	348.0	324.0	24.0	7.4
Loans to members during year (millions).....	2,022.1	1,884.1	138.0	7.3
Average size of loan.....	535.0	516.0	19.0	3.7
Loans outstanding Dec. 31 (millions).....	1,379.7	1,257.3	122.4	9.7
Total assets (millions).....	2,034.9	1,788.8	246.1	13.8
Gross income (millions).....	148.0	130.1	18.0	13.8
Total expenses (millions).....	59.9	51.8	8.0	15.5
Net income before transfer to reserves (millions).....	88.2	78.2	9.9	12.7
Regular and special reserves (millions).....	84.3	68.6	15.7	22.9
Regular reserve (millions).....	75.8	62.3	13.5	21.6

The CHAIRMAN. Our first witness today is Mr. Gannon, the Director of the Bureau of Federal Credit Unions in the Department of Health, Education, and Welfare.

The Chair will be glad to recognize Mr. Gannon.

STATEMENT OF J. DEANE GANNON, DIRECTOR, BUREAU OF FEDERAL CREDIT UNIONS, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. GANNON. Mr. Chairman and members of the committee, I have submitted a prepared statement, but probably in the interest of saving time I can summarize from it.

The CHAIRMAN. Without objection, the entire statement will appear in the record, and the witness will proceed to summarize the essential parts of it for our benefit.

MR. GANNON. H.R. 8305 proposes 19 substantive changes in the Federal Credit Union Act, some of which were originally suggested to your committee by the Department of Health, Education, and Welfare as a part of the Financial Institutions Act, S. 1451, 85th Congress. It also provides for eight of the recommendations made by us before the Committee on Banking and Currency, House of Representatives.

Accordingly, we would favor without modification the following 17 proposals:

1. To extend the loan maturity from 3 years to 5 years subject to amortization requirements in accordance with rules and regulations prescribed by the Director.

2. To permit loans to directors and committee members up to the amount of their shareholdings in the credit union as now provided plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or member of committee.

3. To more specifically state the prohibition against endorsement of loans for borrowers by members of the supervisory or credit committee rather than "committee member" as now provided.

4. To provide specific authority for Federal credit unions to cash and sell checks for members only and to make a reasonable charge therefor in accordance with rules and regulations.

5. To provide for the appointment of the supervisory committee by the board of directors rather than by election by the members.

6. To permit the election of more than one vice president.

7. To change the title of the position now designated as "clerk" to "secretary."

8. To incorporate in the law the limitation now prescribed by the bylaws that no executive officer, except the treasurer, shall be compensated as such.

9. To provide specific authority for the board of directors to compensate the necessary auditing assistance requested by the supervisory committee and also for the loan officers appointed by the credit committee.

10. To permit the board to appoint an executive committee to act for it in the purchase and sale of securities or the making of loans to other credit unions, or both, and to authorize such committee or a membership officer appointed by the board, other than the treasurer, an assistant treasurer or a loan officer, to approve applications for membership under such conditions as the board may prescribe.

11. To specify that dividends may be declared by the board of directors instead of by the members.

12. To provide that the bylaws may specify semiannual dividends rather than the present limitation to annual dividends.

13. To permit dividend credit for a full month on those shares which are or become fully paid up during the first five days of that month.

14. To permit allocation of space in Federal buildings to those credit unions who have at least 95 percent of the membership of which is composed of Federal employees at the time of admission into the credit union, and members of their families, instead of the present requirement that the membership be composed exclusively of Federal employees and members of their families.

15. To provide specific authority which would permit under certain conditions the conversion from a Federal to a State credit union and from a State to a Federal credit union.

16. To extend the Federal Credit Union Act to the several territories and the several possessions in addition to the several States, the District of Columbia, the Panama Canal Zone, and the Commonwealth of Puerto Rico.

17. To amend section 2113(g) of title 18 of the United States Code so that robbery of a Federal credit union will be a crime under Federal statute.

Now, the proposed revision of section 15 of the Federal Credit Union Act would increase the unsecured loan limit from \$400 as now provided to \$1,000 and would authorize the credit committee to delegate to a loan officer power to approve loans up to the unsecured loan limit. We are quite proud of the loan experience of Federal credit unions with a loss ratio of about 17 cents per hundred dollars loaned, and we believe that an upward revision of the unsecured loan limit is warranted. Your committee, upon our recommendation, proposed an unsecured loan limit of \$500 in the Financial Institutions Act during the 85th Congress, and we again recommended the \$500 to the House Committee on Banking and Currency during the consideration of this bill. While we believe that some upward revision is justified, we do not feel that the \$1,000 limit is warranted by experience.

We also support a delegation of authority to a loan officer to approve loans within certain limitations. This proposal was also one of our recommendations to your committee for title VII of the Financial Institutions Act. We do not, however, believe it desirable to establish a direct relationship between the unsecured loan limit and approval of loans by a loan officer. Accordingly, we would suggest that adequate relief to the credit committee and prompt service to the borrowers could be attained by limiting the delegation of authority to the loan officer to those applications for loans of \$500 and less.

Senator BUSH. May I ask a question at this point, Mr. Chairman, or would you prefer that I wait?

The CHAIRMAN. I would prefer that.

Senator BUSH. I withdraw the request.

Mr. GANNON. During the consideration of Federal credit union legislation by the Committee on Banking and Currency of the House our testimony indicated that we did not feel that legislation to permit the organization of Federal central credit unions, and to permit Federal credit unions to invest unlimited funds in shares of central credit unions, is either necessary or desirable. We further indicated that this type of central credit union could not meet the real need of credit unions for a source of discount which would permit them to maintain the liquidity necessary to adequately serve their members. H.R. 8305 would require the Director of the Bureau of Federal Credit Unions to submit to the Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions. We, of course, would be very happy to study this matter further and to submit our findings to the Congress but we do not believe that the requirement made by section 3 of the bill is either desirable or necessary.

We would, therefore, recommend that the bill, modified as suggested be enacted by the Congress.

Now, the committee also has before it S. 1786 and S. 1985 which propose 22 substantive changes in the Federal Credit Union Act.

Since 19 of these changes, including 7 which were amended as we suggested, are included in H.R. 8305 they have been commented on.

Both S. 1786 and S. 1985 proposed a new authority for the chartering of Federal central credit unions and also the authority to permit Federal credit unions to invest unlimited funds in the shares of Federal and State central credit unions.

Since I have already commented upon this provision with respect to H.R. 8305, I would just reiterate that we believe that experience would indicate that central credit unions are not necessary or desirable, and we would therefore not recommend these proposals for adoption.

S. 1786 and S. 1985 further propose a new requirement that in every case of an adjudication by the Director under the Federal Credit Union Act, determination shall be made on the record after providing an opportunity for a hearing to all persons and credit unions who may be directly affected by any order that may be issued as a result of such adjudication. First of all, we are not aware of any expressed desire for this provision by Federal credit unions. Further, we do not believe that the absence of this requirement during the 25-year history of Federal credit unions has presented any problem for either the Federal credit unions or the Bureau. In view of the fact that the Bureau operates without any appropriation of Treasury funds we are especially concerned with the additional time and expense that would be entailed. The funds that support the Bureau come directly from the fees paid by Federal credit unions and we would not be able to assume any additional items of expense without an increase in the fees charged. Certainly, if the future growth of Federal credit unions indicates the desirability of such a provision we would favor its adoption, but for the reasons stated we would not favor its adoption at this time.

S. 1985 proposes a review by the Director if an expelled member requests it within 30 days after his expulsion by the members of the Federal credit union. The scope of this review and its consequences are not specified in the bill. If all that is intended is a limited review of the legality under the act and the bylaws of the procedure taken in the expulsion action, we believe the amendment is unnecessary. Authority already exists under the law for us to take action in case of violations of the law or the bylaws, and the severity of the only available sanction, which is the revocation of the charter—the bill apparently proposes no alternative—provides a strong deterrent and makes for very rare use of the authority. Any member of a Federal credit union is free to call to our attention any violation of which he is aware—whether in connection with this expulsion or otherwise—and to request an investigation. The Bureau has never been reluctant to conduct such investigations and to attempt to correct any violations of the law or the bylaws.

If, however, it is intended that the review is to include consideration of the merits of the dismissal, we would be opposed to it as unduly interfering with the rights of the credit union, since the expulsion must be preceded by a two-thirds vote of the members present at a special meeting properly called for that purpose and only after an opportunity for the member involved to be heard. The absence of standards in the act with respect to the right of a member to retain his

membership would be an added ground for recommending against the proposal.

That summarizes my testimony, Mr. Chairman.

The CHAIRMAN. Then the committee understands that you recommend that we accept the House bill with two changes, one, that limit on unsecured loans be \$500, instead of \$1,000.

Mr. GANNON. That is right, Mr. Chairman.

The CHAIRMAN. And the other that you be requested or instructed to study the question of central bank, but not be required to submit a bill on it?

Mr. GANNON. That is right, Mr. Chairman.

The CHAIRMAN. You will recall, I believe, that we had put in the \$500 limit 2 years ago in the Financial Institutions Act.

Mr. GANNON. That is correct.

The CHAIRMAN. The House bill provides that if 95 percent of the members of a credit union were Federal employees, they should be entitled to space in the Federal building, if available. Was not that in my bill, too?

Mr. GANNON. Yes, Mr. Chairman.

The CHAIRMAN. Do you endorse the House provision that they can charge for cashing checks and issuing checks? As I understand it, they now have the authority to do that.

Mr. GANNON. This is a disputed power. It was reviewed by the courts and the courts held that Federal credit unions did not have this power, Mr. Chairman. This bill would give specific authority.

The CHAIRMAN. Some of them now cash checks?

Mr. GANNON. To our knowledge none are cashing checks for a fee, but they cash checks in the normal course of their business.

The CHAIRMAN. I just want to get it clear whether we are just authorizing them to charge a fee for what they do, or whether this is a new power.

Mr. GANNON. This is a new power to permit them to issue checks for a fee; in other words, to sell checks for a fee.

The CHAIRMAN. Can they issue a check now without a fee?

Mr. GANNON. I do not believe they can do it legally.

The CHAIRMAN. Can they cash a check without a fee?

Mr. GANNON. They can do so as a part of a transaction with the credit union, but they may not engage in the business of cashing checks, Mr. Chairman.

The CHAIRMAN. They cannot engage in the business of cashing checks, but they can do it if they do not do it too much?

Mr. GANNON. That is right.

The CHAIRMAN. The Chair recognizes the Senator from Connecticut.

Senator BUSH. I was just going to ask one question. I am afraid I am not as familiar with the operation of these credit unions as I should be, perhaps not as familiar as with savings banks and so forth. These credit unions are of varying size in our State at least. We have some pretty big ones, where they have \$10 million or \$20 million of assets, and then some have less than a million dollars, probably a good many.

You speak of a loan officer in your statement. Is the loan officer a full-time operator in the credit union setup or does that depend on the size of the credit union?

Mr. GANNON. This depends, Senator, on the size of the credit union.

Senator BUSH. Suppose it is a small one. Is a member of the credit union a loan officer?

Mr. GANNON. In the small ones they would normally approve loans through a committee of three people who are not salaried employees of the credit union.

Senator BUSH. Is it your recommendation that the loan officer's authority be increased so that he could make loans up to \$500?

Mr. GANNON. No, this is a new authority, Senator. There is no provision in the law now for a loan officer.

Senator BUSH. You are recommending it though?

Mr. GANNON. We are recommending that his authority be limited to \$500, that is right.

Senator BUSH. Yes. So this would only apply to those credit unions large enough to have a loan officer?

Mr. GANNON. That is right, Senator.

Senator BUSH. I just wanted to get that clear.

Mr. GANNON. This would be an optional arrangement with the credit committee; whether they would wish to delegate to a loan officer any of their authority to approve loans.

Senator BENNETT. But it puts a limit on the extent of that delegation?

Mr. GANNON. That is right, Senator.

Senator PROXMIRE. Mr. Chairman?

The CHAIRMAN. The Senator from Wisconsin.

Senator PROXMIRE. Mr. Chairman, I want to ask Mr. Gannon why, he says "While we believe that some upward revision is justified we do not feel that the \$1,000 limit is warranted by experience."

I notice in the report of the House Committee on Banking and Currency, they dealt with this subject in justifying the recommendation of an increase which they have in their bill, as I understand it. They said the experience of Federal credit unions on loans of this type has been very good over the years, and it is felt the rising cost of commodities and services and so forth, plus the responsibility of their members, warrants the increase.

Why is that not desirable? It seems to me it might be, in view of the fact this is not a subsidized operation—not a nickel of the taxpayers' money is in it—is that not right?

Mr. GANNON. That is right, Senator.

Senator PROXMIRE. And \$1,000, in view of the increase in incomes, and inflation and so forth, seems a fairly modest loan these days. Why do you feel that way about it?

Mr. GANNON. Our belief is based on a study which we made which indicated that the average unsecured loan made by Federal credit unions was \$245, and that 46 percent of the loans that were made were on an unsecured basis.

Now, it would seem therefore that——

Senator PROXMIRE. The maximum unsecured loan now is \$400?

Mr. GANNON. The maximum is \$400, that is right.

Senator PROXMIRE. So this would be one of the reasons why this average would be a little more than that?

Mr. GANNON. This would regulate the average, there is no question about this. It would seem, however, that if there was a crying

need for larger unsecured loans, the average would be somewhat nearer \$400 than it would to the \$245.

What we are interested in, Senator, is really protecting the wonderful experience credit unions have had in loans, and I would not say for a minute that I would be in a position to tell you what would be the magic figure at which would become hazardous.

This is only our concern; No. 1, that we would have a safeguard for the investment of the members in Federal credit unions, so it would not increase their loan loss experience; and No. 2, that they would have the leeway for adequately serving their members.

Senator PROXMIRE. I certainly appreciate your objective. Do you have any study indicating the incidence of loss with thousand-dollar loans from other institutions as much greater than the incidence of loss from smaller loans?

Mr. GANNON. No, we do not.

Senator PROXMIRE. On what basis, then, do you arrive at the notion that if you increase this, the loan experience is going to suffer?

Mr. GANNON. Just simply because you have an extension of more credit on an unsecured basis. When you have security you have something to fall back upon.

Senator PROXMIRE. Your position, then, is that a loan in excess of \$500, unsecured, might result in a worse experience?

Mr. GANNON. That is our concern.

Senator PROXMIRE. I see.

I would like to ask you this. You say:

During the consideration of Federal credit union legislation by the Committee on Banking and Currency of the House our testimony indicated that we did not feel legislation to permit the organization of Federal central credit unions, and to permit Federal credit unions to invest unlimited funds in shares of central credit unions, is either necessary or desirable.

Once again, I am wondering: Why not, if this is an agency that is not subsidized, an agency that might have surplus funds. It seems much more efficient when you have in one case a credit union which has additional money to invest, and another which has members who want to borrow. Why should they not have a central credit agency to handle that problem?

Mr. GANNON. Briefly, Senator, during the consideration of this proposal, the central credit union was only distinguished from any another credit union in that it would permit credit unions also to become members. It would be subject to all the other limitations.

It was our feeling first, that it could not effectively operate as a central agency under this framework.

Second, it has been our experience that under the present act, credit unions may borrow from any source and they may make loans to other credit unions. Our experience has indicated there does not appear to be any lack of loan facilities available to credit unions who have need to borrow.

Senator PROXMIRE. Except they would then have to go to the regular money market?

Mr. GANNON. They may go to another credit union under the present act.

Senator PROXMIRE. I see. And you think this provision is unnecessary though apparently the credit unions feel it would make them more efficient?

Mr. GANNON. Our feeling is that at the present time there is not any need for this central agency; and secondly, that this proposal is not a good proposal for a central agency if that is what is being sought.

Senator PROXMIRE. One more question, Mr. Chairman, and that pertains to the last part of the same paragraph, where you object to the requirement that you submit to the Congress on or before January 15 a "draft of legislation providing for federally chartered central credit unions." Do you object primarily to the date? Do you object to the requirement to draft legislation providing for these credit unions? Or what is the basis?

Mr. GANNON. We do not object primarily to the date. A later date would be more comfortable, Senator, but this is not something we would object to. Our feeling is that we had testified before the House on our position with respect to central credit unions and yet we have a directive to submit a proposal for central credit unions, the very thing we objected to.

Senator PROXMIRE. I see.

Thank you, sir.

Senator WILLIAMS. Mr. Chairman, I have one short question.

When was the ceiling of \$400 on unsecured loans fixed?

Mr. GANNON. In 1949, Senator. It started out with \$50 and then was progressively increased.

Senator WILLIAMS. There has been no increase since 1949?

Mr. GANNON. That is right.

The CHAIRMAN. Any further questions?

If not, we thank you.

(Mr. Gannon's prepared statement follows:)

STATEMENT BY J. DEANE GANNON, DIRECTOR, BUREAU OF FEDERAL CREDIT UNIONS,
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

H.R. 8305 proposes 19 substantive changes in the Federal Credit Union Act, some of which were originally suggested to your committee by the Department of Health, Education, and Welfare, as a part of the Financial Institutions Act, S. 1451, 85th Congress. It also provides for eight of the recommendations made by us before the Committee on Banking and Currency, House of Representatives.

Accordingly, we would favor without modification the following 17 proposals:

1. To extend the loan maturity from 3 years to 5 years subject to amortization requirements in accordance with rules and regulations prescribed by the Director.
2. To permit loans to directors and committee members up to the amount of their shareholdings in the credit union as now provided plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or member of committee.
3. To more specifically state the prohibition against endorsement of loans for borrowers by members of the supervisory or credit committee rather than committee member as now provided.
4. To provide specific authority for Federal credit unions to cash and sell checks for members only and to make a reasonable charge therefor in accordance with rules and regulations.
5. To provide for the appointment of the supervisory committee by the board of directors rather than by election by the members.
6. To permit the election of more than one vice president.
7. To change the title of the position now designated as "clerk" to "secretary."
8. To incorporate in the law the limitation now prescribed by the bylaws that no executive officer, except the treasurer, shall be compensated as such.
9. To provide specific authority for the board of directors to compensate the necessary auditing assistance requested by the supervisory committee and also for the loan officers appointed by the credit committee.
10. To permit the board to appoint an executive committee to act for it in the purchase and sale of securities or the making of loans to other credit unions, or

both, and to authorize such committee or a membership officer appointed by the board, other than the treasurer, an assistant treasurer or a loan officer, to approve applications for membership under such conditions as the board may prescribe.

11. To specify that dividends may be declared by the board of directors instead of by the members.

12. To provide that the bylaws may specify semiannual dividends rather than the present limitation to annual dividends.

13. To permit dividend credit for a full month on those shares which are or become fully paid up during the first 5 days of that month.

14. To permit allocation of space in Federal buildings to those credit unions who have at least 95 percent of the membership of which is composed of Federal employees at the time of admission into the credit union, and members of their families, instead of the present requirement that the membership be composed exclusively of Federal employees and members of their families.

15. To provide specific authority which would permit under certain conditions the conversion from a Federal to a State credit union and from a State to a Federal credit union.

16. To extend the Federal Credit Union Act to the several territories and the several possessions in addition to the several States, the District of Columbia, the Panama Canal Zone, and the Commonwealth of Puerto Rico.

17. To amend section 2113(g) of title 18 of the United States Code so that robbery of a Federal credit union will be a crime under Federal statute.

The proposed revision of section 15 of the Federal Credit Union Act would increase the unsecured loan limit from \$400 as now provided to \$1,000 and would authorize the credit committee to delegate to a loan officer power to approve loans up to the unsecured loan limit. We are quite proud of the loan experience of Federal credit unions and we believe that an upward revision of the unsecured loan limit is warranted. Your committee, upon our recommendation, proposed an unsecured loan limit of \$500 in the Financial Institutions Act and we again recommended the \$500 to the House Committee on Banking and Currency during the consideration of this bill. While we believe that some upward revision is justified we do not feel that the \$1,000 limit is warranted by experience.

We also support a delegation of authority to a loan officer to approve loans within certain limitations. This proposal was also one of our recommendations to your committee for title VII of the Financial Institutions Act. We do not, however, believe it desirable to establish a direct relationship between the unsecured loan limit and approval of loans by a loan officer. Accordingly, we would suggest that adequate relief to the credit committee and prompt service to the borrowers could be attained by limiting the delegation of authority to the loan officer to those applications for loans of \$500 and less.

During the consideration of Federal credit union legislation by the Committee on Banking and Currency of the House our testimony indicated that we did not feel legislation to permit the organization of Federal central credit unions, and to permit Federal credit unions to invest unlimited funds in shares of central credit unions, is either necessary or desirable. We further indicated that this type of central credit union could not meet the real need of credit unions for a source of discount which would permit them to maintain the liquidity necessary to adequately serve their members. H.R. 8305 would require the Director of the Bureau of Federal Credit Unions to submit to the Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions. We, of course, would be very happy to study this matter further and to submit our findings to the Congress but we do not believe that the requirement made by section 3 of the bill is either desirable or necessary.

We would, therefore, recommend that the bill, modified as suggested be enacted by the Congress.

Now, the committee also has before it S. 1786 and S. 1985 which propose 22 substantive changes in the Federal Credit Union Act.

Since 19 of these changes, including 7 which were amended as we suggested, are included in H.R. 8305 they have been commented on.

Both S. 1786 and S. 1985 propose a new authority for the chartering of Federal central credit unions and also the authority to permit Federal credit unions to invest unlimited funds in the shares of Federal and State central credit unions. Actually these proposals add very little flexibility for Federal credit unions. The present act permits Federal credit unions to borrow from any source. It also

permits them to make loans to other credit unions. In addition there are officers credit unions which provide additional sources of borrowing for the officials who are limited in their borrowing from their own credit union. It is acknowledged that a number of the States do permit the organization of central credit unions and the investment therein by State-chartered credit unions. It seems, however, that through this vehicle there has developed in an unorganized manner a quasi-central system which in terms of economic stress could not, as I pointed out above, meet the real need of credit unions for a source of discount which would permit them to maintain the liquidity necessary to adequately serve their members. Certainly central credit unions which operate under the same statutory provisions as other credit unions could not hope to service any more effectively the needs of credit unions than the facilities that are now available.

We do not believe that a strong case could be made for unlimited investment by Federal credit unions in shares of central credit unions in order to obtain a greater yield from investments. We believe that experience has indicated that central credit unions could not pay a higher rate of dividend than the yield normally returned by the presently permitted investments.

In view of these considerations we do not feel that legislation to permit the organization of Federal central credit unions and to permit Federal credit unions to invest unlimited amounts in shares of central credit unions is either necessary or desirable and we would, therefore, not recommend these proposals for adoption.

S. 1786 and S. 1985 further propose a new requirement that in every case of an adjudication by the Director under the Federal Credit Union Act, determinations shall be made on the record after providing an opportunity for a hearing to all persons and credit unions who may be directly affected by any order that may be issued as a result of such adjudication. First of all, we are not aware of any expressed desire for this provision by Federal credit unions. Further, we do not believe that the absence of this requirement during the 25-year history of Federal credit unions has presented any problem for either the Federal credit unions or the Bureau. In view of the fact that the Bureau operates without any appropriation of Treasury funds we are especially concerned with the additional time and expense that would be entailed. The funds that support the Bureau come directly from the fees paid by Federal credit unions and we would not be able to assume any additional items of expense without an increase in the fees charged. Certainly, if the future growth of Federal credit unions indicates the desirability of such a provision we would favor its adoption, but for the reasons stated we would not favor its adoption at this time.

S. 1985 proposes a review by the Director if an expelled member requests it within 30 days after his expulsion by the members of the Federal credit union. The scope of this review and its consequences are not specified in the bill. If all that is intended is a limited review of the legality under the act and the bylaws of the procedure taken in the expulsion action, we believe the amendment is unnecessary. Authority already exists under the law for us to take action in case of violations of the law or of the bylaws, and the severity of the only available sanction, which is the revocation of the charter—the bill apparently proposes no alternative—provides a strong deterrent and makes for very rare use of the authority. Any member of a Federal credit union is free to call to our attention any violation of which he is aware—whether in connection with his expulsion or otherwise—and to request an investigation. The Bureau has never been reluctant to conduct such investigations and to attempt to correct any violations of the law or the bylaws.

If, however, it is intended that the review is to include consideration of the merits of the dismissal, we would be opposed to it as unduly interfering with the rights of the credit union, since the expulsion must be preceded by a two-thirds vote of the members present at a special meeting properly called for that purpose and only after an opportunity for the member involved to be heard. The absence of standards in the act with respect to the right of a member to retain his membership would be an added ground for recommending against the proposal.

The CHAIRMAN. The next witness will be Mr. Julius Stone, president, Credit Union National Association.

The Chair will recognize Mr. Stone.

STATEMENT OF JULIUS STONE, PRESIDENT, CREDIT UNION NATIONAL ASSOCIATION

Mr. STONE. Mr. Chairman, may I have the privilege of having Mr. Vance Austin, the managing director of CUNA up here?

The CHAIRMAN. Yes, indeed.

Senator PROXMIER. I would like to say that Vance Austin is a resident of Madison, Wis. We are extremely proud of Mr. Austin and his organization. Their international headquarters is in Madison and we are mighty happy to have them there. They are a great asset to my State and the home community.

The CHAIRMAN. We are pleased to have him with us here this morning.

Mr. STONE. Mr. Chairman, in view of your statement that time is short and in view of the recent statement of the Director of the Bureau indicating that as far as the Bureau is concerned, there are only two or three points on which there might be some clarification, may I suggest that instead of proceeding as I had intended to, I will follow the chairman's suggestion and I will make a brief statement and then ask that the summary which we should like to present be read into the record.

The CHAIRMAN. Without objection, the witness' full statement will appear in the record and he can summarize it.

Mr. STONE. My name is Julius Stone. I am president of the Credit Union National Association, Inc. During the 2 years prior to my election to this office, I served as a vice president of the organization and as chairman of its legal and legislative committee. We are celebrating this year the 50th anniversary of the first credit union law in this country—and I am proud to be a citizen of the State whose legislature first enacted that, Massachusetts—the 25th anniversary of our national association, and, more directly in point here, the 25th anniversary of our Federal Credit Union Act.

We are grateful to Chairman Robertson and the members of this committee for the opportunity to appear before you and to present our views on H.R. 8305. And we are delighted to note that the House of Representatives passed this bill without objection.

The Federal Credit Union Act, passed in 1934, has proved to be one of the most workable and worthwhile pieces of legislation ever passed for the benefit of the common man. It has been a blessing to literally millions of people who in the past 25 years have enjoyed the benefits of membership in a Federal credit union.

At the present time there are more than 9,500 Federal credit unions, operating in each of the 50 States of the Union, and in the Canal Zone, the District of Columbia, Puerto Rico, and the Virgin Islands. These Federal credit unions provide many of the everyday thrift and credit needs of approximately 5,200,000 Americans.

Although the Federal Credit Union Act has been in existence only half of the 50 years during which credit unions have operated in this country, almost half of our 20,000 credit unions have been chartered by the Federal Government, and almost half of the 11 million credit union members in the United States are members of Federal credit unions.

As of December 31, 1958, these Federal credit unions had assets in excess of \$2 billion, and they are growing at a rate of approximately

\$300 million each year. These assets represent the savings of many American families—many average American families—who previously would have saved only a small fraction of this amount. It is interesting to note that the size of the average credit union is approximately \$70,000 in terms of assets.

The first Federal credit union was organized by the municipal employees of Texarkana, Tex., shortly after the original Federal Credit Union Act was passed 25 years ago. It may be of interest to you to note that its name is the Morris Sheppard Federal Credit Union in honor of the late Senator Morris Sheppard, sponsor of the original Federal Credit Union Act.

Since their beginning in 1934 Federal credit unions have loaned their members approximately \$12 billion for provident and productive purposes. Over \$2 billion of this amount was loaned out to Federal credit union members during 1958 alone. But this is only half of the full picture because during 1958 a total of \$222 million was added to the savings of Federal credit union members, and we respectfully submit that this probably might not have happened had it not been for the fact there were Federal credit unions in existence who were serving this need.

I point out these facts so that you gentlemen can fully appreciate the extensive impact the Federal Credit Union Act has had on the citizens and economy of our country in the relatively short period of 25 years.

As illustrated by these figures, the biggest and best accomplishment of the act has been the way in which it has enabled millions of Americans to join together in credit unions to help each other learn to save and to provide each other with a constant and convenient source of low-cost credit. This twofold accomplishment has been recognized by Government, financial, industrial, labor union, religious, and community leaders for many years, and many of them have spoken out frequently in full support of the credit union's purposes and philosophy.

Operating on the theory that man's most valuable asset is his character, these Federal credit unions have marked up an outstanding record of collection in the past 25 years. During this time, less than one-fifth of 1 percent of the billions of dollars they have loaned has not been repaid by their members—a record that any financial institution would be more than proud of.

It must also be said, however, that even though the Federal Credit Union Act has proven to be a remarkably effective instrument during the 25 years of its existence, it has not kept pace in many respects with the widespread changes that have taken place in our economy, and with the evolving needs of Federal credit unions and their members.

For this reason, the legislation before you was introduced in this session of Congress. The purpose behind each of the suggested revisions is to bring the act into tune with today's economy, while maintaining the basic philosophy of the credit union movement. As all of us know, there has been a tremendous change in the credit needs and habits of the average American family during the past decade. Credit has become the heart of our economic system. It has now been 10 years since the unsecured loan limit in the Federal Credit Union Act was increased from \$300 to \$400 and during these

10 years the cost of basic goods and services has increased substantially. In some cases it has more than doubled. This requested increase and the other changes in the act are essential, we respectfully submit, in order to enable Federal credit unions to serve their members in the future at least as well as they have in the past.

Two other bills, S. 1786 and S. 1985, which also propose to amend and modernize the Federal Credit Union Act, are before the committee. They contain the following additional major changes:

1. To provide for the chartering of Federal central credit unions with a field of membership of Federal and State chartered credit unions, and directors and committee members of such credit unions within a well-defined geographical area.

2. To permit investment by Federal credit unions in the shares of central credit unions.

Federal credit unions have been seeking these amendments or similar changes in the Federal law for a number of years. We are disappointed that these changes were not included in H.R. 8305 as it passed the House of Representatives. However, since H.R. 8305 does contain many other improvements that are long overdue and urgently needed by Federal credit unions, we are urging that the committee approve this bill in its present form.

The attached statement and explanation of the amendments and the purpose they are intended to serve refer only to H.R. 8305.

I should like to add some additional notes of my own. It would be very appropriate, Mr. Chairman and gentleman of this committee, if, on the occasion of the 25th anniversary of the Federal credit union law, which we are observing this year, the Congress would give the people of the United States who are interested in Federal credit unions this much-needed legislation.

I respectfully submit, with reference to the provisions relating to loan officers, that if you decide to increase the maximum signature loan limit to \$1,000, then the loan officers ought to be authorized to make loans up to that amount.

I do not think it would work out very well if the maximum signature loan amount were more than \$500 and the authority of the loan officers was limited to \$500.

And then may I say just a word in connection with this: We are asking that the signature loan limit be increased from \$400 to \$1,000 to allow credit unions to more effectively satisfy the consumer credit needs of the expanding credit union membership. Congress has progressively increased this limit from \$50 initially in the original act to \$100 in 1940, \$300 in 1946, and \$400 in 1949. The experience of Federal credit unions on loans of this type has been very good over the years, and it is felt that the rising cost of commodities and services, coupled with the progressive growth in knowledge on the part of credit unions of the character and financial responsibility of their members, warrants the requested increase in the signature loan limit.

When an application for a loan is considered by a credit union, the purpose of the loan, the member's ability to repay, and the member's character are the major determining factors. Security on loans up to \$1,000 is often taken simply to satisfy the act. We do this because on the basis of our wide experience we know that these people want to, and are fully able to repay these loans.

Loans requiring security are time consuming in terms of record keeping and create additional expense through the processing of mortgages, the paying and recording of fees, additional postage, materials, etc. If the proposed change meets with your approval and we are permitted to grant loans up to \$1,000 without additional security, it will reduce these expenses and allow Federal credit unions to operate more efficiently. Of course, the credit committee or a designated loan officer would carefully consider such larger signature loans in order to fully protect members' shareholdings.

Many State-chartered credit unions, as well as other types of lending institutions, are not restricted to signature loans in the amount of \$400. In some instances there are no restrictions at all in the State credit union act. The present limitation in the Federal Credit Union Act results in many members in need not availing themselves to the fullest extent of our credit facilities.

The CHAIRMAN. May the Chair interrupt? Rather than read that, will you not just put it in the record? If you have something else to add or will summarize what is in the record, do that. As you know, our time is limited.

Mr. STONE. I appreciate that. I think that the summary I have included in the statement, if read into the record, will cover these matters, Mr. Chairman.

The CHAIRMAN. We thank you very much. The Chair is very much interested in the statement that you had a credit union in Wisconsin 25 years before the Federal law was passed.

Mr. STONE. In Massachusetts. And I have been treasurer of that credit union in Massachusetts for more than 32 years.

The CHAIRMAN. What about Wisconsin? Did they have a law ahead of the Federal one?

Mr. AUSTIN. Yes, for some years ahead of it.

The CHAIRMAN. How many years?

Mr. AUSTIN. Mr. Gannon could tell us.

Mr. GANNON. In 1923, Mr. Chairman.

The CHAIRMAN. In 1923. That explains why you have so many more members than Virginia.

We have 122,800 members in Virginia and you have 325,000 in Wisconsin. But in Wisconsin the State law permits unsecured loans up to \$500 and that probably accounts for why you have so many more State credit unions than Federal ones.

Senator Sparkman was very much interested in this program, and he introduced a bill on the subject.

Senator Sparkman unfortunately had to leave last night to keep a long-standing engagement to speak to the American Bar Association in Miami, Fla. I am sure he would like to be here to take part in this hearing.

You have heard Mr. Gannon say that the limit should not be more than \$500, and the House bill had \$1,000. Senator Sparkman told me before he left that he thought the committee would be well advised to come in between those amounts at some appropriate figure.

The second thing Senator Sparkman said was that he thought instead of directing Mr. Gannon to submit a bill on central credit unions, it would be better to direct him to make a study and submit a report with recommendations of legislation if the Department of Health, Education, and Welfare thought it wise.

We have, as you know, three bills before us. Senator Sparkman thinks that we ought to take the House bill with those two modified changes, to get the substance of what you have recommended, plus an increase in the maximum of unsecured loans, and have a chance to write something into law, rather than to continue these hearings to consider additional matters.

Which would you prefer? That the committee make some concessions to the time schedule, or that the committee consider all these recommendations at length?

Mr. STONE. Mr. Chairman, I personally would feel very happy if the bill, as you indicated, was enacted at this time.

Senator PROXMIRE. Could I ask something at that point, Mr. Chairman?

The CHAIRMAN. The Chair recognizes the Senator from Wisconsin.

Senator PROXMIRE. Did I understand you to say that the study that would be made by Mr. Gannon would be made in the event they wanted to make it, or did you mean that the study would be required, but the report would not be a legislative draft but simply a recommendation?

The CHAIRMAN. The study would be required and the requirement would be written into the bill. The Department would be called upon to recommend legislation if it was thought that legislation was desirable. But the study would have to be made in any event.

Senator PROXMIRE. Thank you.

The CHAIRMAN. The Chair recognizes any members on the right who wish to inquire.

Senator BUSH. Just one question, Mr. Chairman?

The CHAIRMAN. The Senator from Connecticut, Mr. Bush.

Senator BUSH. What is the present borrowing power of the credit unions? What limits exist upon that borrowing power, if any? Is there any general limit?

Mr. STONE. Yes; there is a provision of law that a credit union may borrow up to 50 percent.

Senator BUSH. Is that of its assets?

Mr. AUSTIN. An amount equal to 50 percent of the savings in the credit union they may borrow from another Federal credit union or bank.

Senator BUSH. That is a regular rule for all credit unions?

Mr. STONE. Yes, sir.

Senator BUSH. Is that a regulation or part of the law?

Mr. STONE. Part of the law, "to borrow in accordance with such rules and regulations as may be prescribed by the Director from any source in aggregate amount not exceeding 50 percent of its paid-in and unimpaired capital and surplus."

Senator BUSH. Could you tell us, then, approximately to what extent that is availed of? Do you have any figures on that? Is it a general practice of credit unions to borrow?

Mr. STONE. Yes, I understand it is.

Senator BUSH. In other words, they really have more demand for loans than they accumulate in savings within their institutions? Is that right?

Mr. STONE. I understand some of them do. Sometimes this depends upon seasonal requirements. Last week I was in Denver, Colo. They told me they had a very difficult situation there. They were not able to get the money to take care of the needs of their people in that particular credit union in Colorado which was suffering from a shortage of funds resulting from a strike.

Senator BUSH. You do not have in mind a figure—there are 9,500 credit unions, I believe you said—you do not have in mind a figure of what percent of their total assets may be borrowed on? Are they borrowing as a group of banks? They have a total, of about \$2 billion of savings according to the testimony here. What are the total loans outstanding at some period like the end of last year, or March 31, or some other date? Can you give us some idea?

Mr. STONE. Yes, Senator, may I ask Mr. Gannon to give you them. It is in his report and he has them here.

Mr. Gannon, will you answer this question?

Mr. GANNON. At the end of 1958, Federal credit unions had borrowed outstanding \$37,481,000.

Senator BUSH. They were borrowing \$37 million?

Mr. GANNON. That is right.

Senator BUSH. And their total assets were——

Mr. GANNON. \$2 billion.

Senator BUSH. So actually the borrowing at that stage appeared to be a very small percentage of their total assets—\$37 million of borrowing's compared with \$2 billion of assets?

Mr. GANNON. Yes.

Senator BUSH. That is what I wanted to get. Thank you.

Senator PROXMIRE. May I ask one more question?

Mr. Stone, the main objection to increasing the unsecured loan limit to \$750 or \$1,000 or to anything above \$500 was that it would endanger the fine record the credit unions had on repayments. What is your answer to that?

Mr. STONE. I think you asked Mr. Gannon if there was any study he had made or any record which would tend to indicate that loans between \$500 and \$1,000 would probably not be repaid as well as loans of lesser amounts.

Senator PROXMIRE. Let me ask you of your own personal experience.

Mr. STONE. My own experience is that repayment would be better than in the case of the smaller \$50 or \$100 unsecured loans.

Senator PROXMIRE. Does CUNA have a record on the basis of its experience? Does it have a record or are they both approximately the same?

Mr. STONE. Mr. Austin points out that we have no statistics in connection with that, but I have expressed my personal experience over a period of 32 years in my own State-chartered credit union in Massachusetts, and my own personal experience as a result of contacts with people in other credit unions, that there is no probability that these loans would be repaid in a less satisfactory manner than loans under \$500. And my own feeling is they would be repaid much better than loans under \$500.

And of course I ought to point out that the credit committee in each credit union would determine the amount which it loaned, so it would

not have to loan the maximum, and would not loan the maximum in many cases if the credit union did not think it was desirable.

Senator PROXMIRE. Mr. Chairman, I just have one other point I want to raise a question on, and that is this cashing of checks and money orders. All three bills, as I understand, would empower Federal credit unions to sell to members checks and money orders and cash checks for members. The two Senate bills would permit selling of checks to people eligible to become members in the union.

There is some objection to this, I understand, particularly the latter part—cashing checks for nonmembers who are eligible to become members?

Mr. STONE. Well, Senator, it seems to me this matter of cashing checks and selling checks results by reason of a great need which has been demonstrated over and over again, especially right here in the District of Columbia, where people have had to leave their place of employment and go to distant banks in order to cash checks or in order to buy checks.

Now I do not know how much that has amounted to in loss of time. And this same situation, the great need which exists in the District of Columbia, can be duplicated in many other sections of the country in plants where people are paid by check and where they do not have banking facilities or where the banking facilities are so remote that they cannot easily reach a bank.

Senator PROXMIRE. My point here is that the objection is made that this is a banking function, that this is not a function that should be performed by a credit union that does not have the responsibilities and the obligations and the legal limitations and so forth that the banks have. I wonder if you could meet that objection. The objection is that it is not appropriate for them to operate in such a way.

Mr. STONE. We want to be able to do this, Senator, in places the banks are not giving this service. We want to be able to meet the needs of these people who have the right to become members of the credit union, even though they are not now members of the credit union, as well as those who are members of the credit union, and who cannot get these services at banks or any place else, except in credit unions which are easily accessible and available to them.

Senator PROXMIRE. You see, then, no damage to the public interest in credit unions doing this or no interference with banks or no competition in performing a function that banks perform?

Mr. STONE. I do not see any competition. I do not see any difficulty. As a matter of fact, I have been told that the experience of some of the very large credit unions who are cashing many checks outside of this area is that they are losing money every time they cash a check or sell a check, but they are doing this because they feel that this is a matter of service that they must render to their credit union people who cannot get to any bank, and who are not close enough to banks to be able to get that service any place else.

This is not something that we want in order to compete with banks or to make money. This is something the credit union people want in order to get a service that they cannot get any place else. And if they can get that service more easily at a bank, we want them to go to a bank and get the service there.

Senator PROXMIRE. One more question: Would you object to limiting this check-cashing and selling and money order business to members only, and not including those who are eligible?

Mr. STONE. The suggestion has been made that it be limited to members only. My own feeling is that if a man belongs to the same factory or is in the Department of Justice in Washington and wants that service and is not a member of the credit union but has a right to be a member, the service ought to be given to him. That is my personal feeling.

The CHAIRMAN. If there are no other questions, we thank you very much.

Mr. STONE. Thank you.

(The material accompanying Mr. Stone's statement follows:)

FEDERAL CREDIT UNION ACT—SUMMARY OF CHANGES PROPOSED IN H.R. 8305

(All of these changes are supported by the Credit Union National Association)

1. Increase the loan maturity limit from 3 to 5 years, with authority to the Director of the Bureau to prescribe rules and regulations governing loan amortization, but that he may not require payments more frequently than annually.

2. Permit loans to directors and committee members up to the amount of their shareholdings in the credit union plus the total unencumbered and unpledged shareholdings in the credit union of any member pledged as security for the obligation of such director or committee member.

3. Permit appointment by the credit committee of one or more loan officers to approve loans up to the unsecured limit, or in excess of such limit if the excess is fully secured by unpledged shares.

4. Sell to members negotiable checks (including travelers checks) and money orders, and to cash checks and money orders for a fee which does not exceed the direct and indirect cost of providing such service.

5. Appointment of supervisory committee by the board of directors, one of whom may be a director other than the treasurer.

6. Provide for one or more vice presidents.

7. Change position called "clerk" to that of "secretary."

8. Prohibit compensation to any director, committee member, or officer other than the treasurer for services rendered as such.

9. Authorize board to compensate necessary clerical and auditing assistance (requested by the supervisory committee) and loan officers (appointed by the credit committee).

10. Appointment by board of an executive committee of not less than three directors to act for it in the purchase and sale of securities or the making of loans to other credit unions, or both. Such executive committee or a membership officer appointed by the board from among the members of the credit union, other than the treasurer, and assistant treasurer, or a loan officer, may be authorized by the board to approve applications for membership under such conditions as the board may prescribe.

11. Increase signature loan limit from \$400 to \$1,000.

12. Provide for declaration of dividends by the board of directors.

13. Permit annual or semiannual dividends as the bylaws of each credit union may provide.

14. Permit dividend credit for a month on shares which are or become fully paid up during the first 5 days of that month.

15. Permit allocation of space in Federal buildings for credit unions having a membership composed at least 95 percent of persons who are presently Federal employees or were Federal employees at the time of admission to the credit union.

16. Provision for conversion from Federal to State charter and vice versa.

17. Expand act to apply to the several States, the District of Columbia, the several territories and the several possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico.

18. Make robbery of a Federal credit union a crime under Federal statute.

19. Director of the Bureau of Federal Credit Unions to submit to Congress

on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions.

20. Modify various sections of the act for the purpose of modernization and clarification, without making substantive changes.

SUMMARY OF CHANGES IN FEDERAL CREDIT UNION ACT CONTAINED IN H.R. 8305

Amendment to section 7(5) (12 U.S.C. 1757(5))

To increase loan maturity limit from 3 to 5 years.

Purpose.—To allow Federal credit unions to more adequately meet the demands of their members for various types of loans. For instance, a 5-year loan maturity on home repair and modernization loans would be more feasible for many credit union members. Also, there are many occasions when a credit union member has suffered a series of financial catastrophes and wishes to borrow additional funds or consolidate his debts but is realistically unable to liquidate such an obligation within a 3-year period. Under these conditions, if the member is of sound character, the credit union often wishes to extend a longer term loan. Such loans can be a sound use of credit and are consistent with the fundamental purposes and goals of credit unions.

The Director is also given authority to prescribe rules and regulations governing loan amortization, with the limitation that he may not require payments more frequently than annually.

Amendment to section 7(5) (12 U.S.C. 1757(5))

To permit loans to directors and committee members up to the amount of their shareholdings in the credit union plus the total unencumbered and unpledged shareholdings in the credit union of any member pledged as security for the obligation of such director or committee member. (The present law permits loans to be made to directors and committee members only up to the amount of their individual shareholdings.)

Purpose.—To liberalize borrowing restrictions regarding officials. It is often difficult and in some instances almost impossible to secure members to serve as directors, officers, or committee members because of the present limitation in the law on the borrowing privileges of persons serving in such capacities. As a result, credit unions are not always getting the most capable leadership available from the qualified membership. This weakness would be remedied to a large degree by the proposed liberalization, and at the same time due regard for the safety of the funds of the credit union would be retained.

Amendment to section 7 (12 U.S.C. 1757)

In accordance with rules and regulations prescribed by the Director, to allow Federal credit unions to sell to members negotiable checks (including travelers checks) and money orders, and to cash checks and money orders for members, for a fee which does not exceed the direct and indirect costs incidental to providing such service.

Purpose.—The Bureau of Federal Credit Unions has held that, in the absence of a specific provision in the Federal Credit Union Act permitting such activity, Federal credit unions may not cash or sell checks for a fee. Formerly, credit unions had been engaged in this activity and the ruling has created considerable hardship. The activity, which is desired and requested by the members, results in certain direct and indirect costs. It is only fair and equitable that these costs should be borne by those directly availing themselves of the service, rather than by the general membership. This principle has been accepted by the credit unions directly involved and, as the owners of the credit unions, they should have the right to provide this service for themselves.

Amendment to section 11(a) (12 U.S.C. 1761(a))

To provide for appointment of the members of the supervisory committee, one of whom may be a director other than the treasurer, by the board of directors. The present law provides for election of supervisory committee members by the membership.

Purpose.—Under the present law, the board of directors has no authority over the supervisory committee. It is consistent with the board's responsibility for the general direction and control of the affairs of the credit union that it be in a position to require this committee to function effectively. This amendment gives the board the power of appointment of members to the supervisory

committee and charges the board with more direct responsibility for supervisory committee performance.

Amendment to section 11(b) (12 U.S.C. 1761(b))

To provide for one or more vice presidents.

Purpose.—To eliminate the necessity for an amendment to the bylaws in order to so provide. This change would be of particular significance to credit unions requiring an additional cosignatory on checks.

Amendment to section 11(b) (12 U.S.C. 1761(b))

To change position of officer called "clerk" to that of "secretary."

Purpose.—To give the position a title which is more descriptive of its function and to add dignity and stature to the office.

Amendment to section 11(a) (12 U.S.C. 1761(a))

To prohibit compensation to any executive officer other than the treasurer for services rendered as such.

Purpose.—To provide that only the treasurer, as general manager of the credit union, may be compensated for his services. Service without pay by the directors, committee members, and all other officers is consistent with credit union philosophy. Under the present law all of the officers of a credit union may be compensated to such extent as the bylaws may provide.

Amendment to section 11(c) (12 U.S.C. 1761(c))

To provide for appointment by the board of an executive committee of not less than three directors to act for it in the purchase and sale of securities or the making of loans to other credit unions, or both. Such executive committee or a membership officer appointed by the board from among the members of the credit union, other than the treasurer, and assistant treasurer, or a loan officer, may be authorized by the board to approve applications for membership under such conditions as the board may prescribe.

Purpose.—The board of directors usually meets only once a month. These changes would allow action more promptly in limited areas, where authorized by the board. Thus, credit unions could make their services and benefits available more quickly to applicants for membership, either by authorizing applications to be approved by the membership committee, or by appointing a membership officer for that purpose. Similarly, investments and loans to other credit unions could be handled more effectively under the new amendment.

Amendment to section 11(c) (12 U.S.C. 1761(c))

To authorize the board to compensate necessary auditing assistance appointed by the supervisory committee and loan officers appointed by the credit committee.

Purpose.—To assist the supervisory committee in functioning more effectively by providing for assistance which may be compensated. This committee, which is charged with the responsibility for making regular internal audits of the credit union, often requires outside assistance. Compensation for loan officers who would take some of the burden off the credit committee is based upon the same principle.

Amendment to section 11(d) (12 U.S.C. 1761(d))

To increase signature loan limit from \$400 to \$1,000.

Purpose.—To allow credit unions to more effectively satisfy the consumer credit needs of the expanding credit union membership. Congress has progressively increased this limit from \$50 initially in the original act to \$100 in 1940, \$300 in 1946, and \$400 in 1949. The experience of Federal credit unions on loans of this type has been very good over the years, and it is felt that the rising cost of commodities and services, coupled with the progressive growth in knowledge on the part of credit unions of the character and financial responsibility of their members, warrants the requested increase in the signature loan limit.

When an application for a loan is considered by a credit union, the purpose of the loan, the member's ability to repay, and the member's character are the major determining factors. Security on loans up to \$1,000 is often taken simply to satisfy the act. We do this because on the basis of our wide experience we know that these people want to and are fully able to repay these loans.

Loans requiring security are time consuming in terms of recordkeeping and create additional expense through the processing of mortgages, the paying and recording of fees, additional postage, materials, etc. If the proposed change

meets with your approval and we are permitted to grant loans up to \$1,000 without additional security, it will reduce these expenses and allow Federal credit unions to operate more efficiently. Of course, the credit committee or a designated loan officer would carefully consider such larger signature loans in order to fully protect members' shareholdings.

Many State-chartered credit unions, as well as other types of lending institutions, are not restricted to signature loans in the amount of \$400. In some instances there are no restrictions at all in the State credit union act. The present limitation in the Federal Credit Union Act results in many members in need not availing themselves to the fullest extent of our credit facilities. Often they obtain much larger amounts elsewhere on their signatures. Of course, the cost is usually greater—often several times greater—than our credit union rate of interest.

Our expanding economy and standard of living in this country have created a situation in which \$400 can no longer be considered a great deal of money. For example, many of our credit unions make loans to needy students for the cost of their college education, to members for family medical expenses, and to homeowners for home improvements. As all of you know, the expense involved in each of these cases, and in many others like them, has increased tremendously within the past 10 years. The present requirement that security be obtained on the amount over our present \$400 unsecured limit creates a complication and unnecessary delay in processing these loans that is highly undesirable. Credit unions have always considered service to their members as their primary objective, and the limitation placed on them by the present \$400 maximum forces them to be unable to adequately serve their members in many of these highly desirable and necessary credit needs. A substantial increase in the current unsecured loan limit is the only way in which Federal credit unions can fulfill these needs.

Amendment to section 11(d) (12 U.S.C. 1761(a))

To permit appointment by the credit committee of one or more loan officers to approve loans up to the unsecured limit, or in excess of such limit if the excess is fully secured by unpledged shares.

Purpose.—To provide a realistic, practicable means of reducing the burden upon the credit committee in credit unions having a large and continually increasing volume of loan activity. Also, due to the fact that the committee, which is not compensated, is often scattered and finds it difficult to meet frequently and on short notice, proper consideration and prompt loan service in emergencies is not feasible. A loan officer would be in a position to move quickly in instances of this nature. The credit committee would be fully apprised of his activities since he would be required to furnish them with a record of all loan applications approved and of loan applications not approved within 7 days of such action. Official action on loan applications not approved by the loan officer would be considered by the credit committee.

Amendment to section 13 (12 U.S.C. 1763)

To authorize the board of directors to declare dividends rather than the membership.

Purpose.—To transfer this function to the body which is primarily responsible for the management and sound operation of the credit union. Also, it is in the best position to determine the size of the dividend which should be distributed, based upon its intimate knowledge of the organization's affairs and its current and future needs. Further, this would alleviate the condition presently existing whereby the members are in a position to declare a dividend in excess of that which the credit union can safely and prudently afford to pay.

Amendment to section 13 (12 U.S.C. 1763)

To permit annual or semiannual dividends as the bylaws of each credit union may provide.

Purpose.—To allow an alternative to the current requirement that dividends be paid annually. This often penalizes members who are forced to withdraw shareholdings prior to the yearend, thereby losing the dividend. Adoption of the alternate plan would be optional with each currently operating credit union and would require an appropriate amendment to the bylaws. Newly chartered credit unions would have an initial choice.

Amendment to section 13 (12 U.S.C. 1763)

To provide that dividend credit for a month may be accrued on shares which are or become fully paid up during the first 5 days of that month.

Purpose.—In many instances members do not receive their compensation until the last day of the previous month or the first day of the current month and find it impractical to make share payments immediately. Dividend credit under the current law does not commence until the following month. The proposed amendment would eliminate this inequity and provide an additional incentive for saving.

Amendment to section 21 (12 U.S.C. 1771)

To permit allocation of space in Federal buildings for credit unions having a membership composed of at least 95 percent of persons who are presently Federal employees or who were Federal employees at the time of admission to the credit union. At present, allocation of such space is permitted to credit unions the membership of which is composed exclusively of Federal employees and members of their families.

Purpose.—To allow credit unions to continue the membership of retired Federal employees and to extend membership to a limited number of employees of private contractors, American Legion, and Red Cross personnel working along with Federal employees at Federal installations, without jeopardizing the credit union's eligibility for space in Federal buildings.

Added section (sec. 23)

To add a new section to the act to provide for conversion from Federal to State charter and vice versa.

Purpose.—To make specific provision for such conversion. Under certain circumstances this action may be deemed desirable by a credit union and acceptable to the supervisory agencies involved. However, the Federal Credit Union Act is silent in this connection. Special authority appears warranted which would facilitate the procedure in order that it may be accomplished without dissipation of reserves or undue disruption of normal credit union operations and service to the members.

Amendment to 18 U.S.C. 2113(g)

To add a provision making robbery of a Federal credit union a crime under Federal statute.

Purpose.—To add robbery of a Federal credit union to the current Federal statutory offenses of false entry, forgery, and embezzlement. This proposed amendment would permit the Federal Bureau of Investigation to assume jurisdiction in instances of robbery, as well as the others.

Amendment to section 22 (12 U.S.C. 1772)

To expand the provisions of the act to include the several territories and the several possessions of the United States.

Purpose.—To eliminate the need for future amendments in order to allow for the establishment of Federal credit unions in the U.S. territories and possessions hereafter created.

New provision

The Director of the Bureau of Federal Credit Unions to submit to the Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions.

Purpose.—There is a very real and pressing need for Federal central credit unions which can act as a source of additional funds and as an investment medium for credit unions in a particular geographical area, and which can act as a source of credit for directors and committee members, who under existing Federal law may not borrow in excess of their shareholdings from the credit unions in which they serve in these capacities.

We are very disappointed that specific provisions authorizing establishment of these facilities were not included in this legislation. However, we are hopeful that provision for such facilities will be authorized by Congress in the future.

Other amendments

To modify various sections of the act.

Purpose.—To clarify and modernize the act without making substantive changes.

The CHAIRMAN. The next witness is a representative of the American Bankers Association.

We are pleased to hear from Mr. Frank Powers, president of the Kanabec State Bank, of Mora, Minn., representing the American Bankers Association. He is accompanied by Mr. Brott, counsel of the American Bankers Association.

We are pleased to hear from you.

STATEMENT OF FRANK P. POWERS, AMERICAN BANKERS ASSOCIATION

Mr. POWERS. Mr. Chairman, Mr. Brott is general counsel of the American Bankers Association.

My name is Frank P. Powers. I am president of the Kanabec State Bank, of Mora, Minn. I am also a member of the committee on Federal legislation and of a special committee on credit unions of the American Bankers Association. It is in these capacities that I appear today to present the views of the association on the bills amending the Federal Credit Union Act which are the subject of these hearings.

Bankers have a definite interest in legislation in the credit union field because of the actual and potential impact of credit union operations on banks and the public served by banks. It is our desire, at the outset, to make clear to the Congress the attitude of the American Bankers Association regarding the recent substantial growth of credit unions.

The statement which follows sets forth the policy approved by its administrative committee and executive council on April 18, 1959. It interprets the role of credit unions in the financial structure, with particular regard to their implications for banking. This statement of policy reads:

The American Bankers Association regards as proper and constructive the original concept under which a group of persons with a common bond may organize and operate a credit union and thereby provide financial assistance to each other by pooling savings to lend to those members of the group who are in need of credit.

The association believes, however, that any broadening of credit union functions and operations beyond this original concept is not in the public interest. More than a century of development has provided a framework of public policy for banking through which the benefits of healthy competition can be obtained without endangering the soundness and strength of the banking system. Federal and State legislatures have set forth strict standards for the chartering and regulation of banks and those other financial institutions which are intended to serve the public at large. This has been done in order to protect the public interest.

The public interest is endangered if other financial institutions organized under an entirely different concept are granted additional powers enabling them to serve the public at large or otherwise changing significantly the purposes for which they were originally intended. The financial system, under such circumstances, becomes exposed to the same unhealthy conditions which so often in the past have resulted in financial chaos.

The association takes full cognizance of the healthy competition resulting from the operation of credit unions within their original concept. The association opposes, however, any efforts which serve to alter the original concept of the credit union by compromising the basic principles of self-help and responsibility of the credit union to its own membership.

It is in keeping with this policy that we present our views and recommendations with respect to the three bills before you.

S. 1786 and S. 1985 both provide for the organization of Federal central credit unions and authorize Federal credit unions to invest in

the shares of such Federal central credit unions and other central credit unions. Similar provisions were contained in bills introduced in the House which were the subject of hearings before the House Banking and Currency Committee. That committee, however, voted to report a "clean" bill which was introduced as H.R. 8305, the bill before you. This bill omits the provisions for Federal central credit unions but provides instead that—

the Director of the Bureau of Federal Credit Unions shall submit to the Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions.

In our view, the pooling of resources among credit unions through the instrument of central credit unions is not consistent with the principles of the common bond and the responsibility of the credit union to its own membership. The credit union appropriately should serve its own membership and should not extend the scope of its operation or lend its resources to other credit unions, the membership of which is outside its common bond. Except for temporary purposes, investments should be limited to loans to the members of the group. Likewise, authority to borrow should be restricted to temporary or emergency purposes. Federal central credit unions should not be employed as a means of shifting funds between credit unions or broadening lending operations beyond the limit of the funds available from savings of the members of the credit union.

All three bills would extend the maximum maturity on loans made by a credit union from 3 to 5 years and would increase from \$500 to \$1,000 the maximum amount that can be loaned to a member on an unsecured basis.

A concentration of loans in longer maturities would lessen the liquidity that a credit union otherwise might derive from a more frequent turnover of its loan portfolio and thus impede its ability to serve the credit needs of all of its members.

The proposed increase in the maximum amount of an unsecured loan by 150 percent raises the question as to whether such a substantial increase in the size of such loans might not cause undue concentration of risk in fewer borrowers and thus unduly expose shareholders to such risk.

Your committee approved a much smaller increase in the maximum amount of such loans, from \$400 to \$500, only slightly more than a year and a half ago in the Financial Institutions Act, S. 1451. We submit that no change in economic conditions has occurred in the last 2 years that would warrant the much larger increase in such maximum amount provided in the bills before you.

If the committee believes that loans with longer maturities and in increased amounts should be permitted, they should be restricted in the aggregate to a percentage of the credit union's capital and surplus.

Also, if the Director of the Bureau of Federal Credit Unions is given the authority to provide by regulation for the amortization of loans made by Federal credit unions as provided in section 8 of H.R. 8305, which authority we think is desirable, he should be given discretion in the exercise of such authority to require payments on such loans more frequently than annually.

All three bills would empower Federal credit unions to sell to members checks and money orders, and to cash checks and money orders

for members, and to charge a reasonable fee therefor. S. 1786 and S. 1985 also would permit the cashing of checks for or selling checks to individuals who are eligible to become members in the credit union.

We see no objection to Congress giving the Federal credit unions authority to cash checks and money orders for its members, which authority the courts have held they do not now have, provided that this service is limited to their members only.

The selling of checks and money orders to members, however, is another matter. Not only is the selling of checks and money orders clearly inconsistent with the purpose of a credit union, but also it is not appropriate for them to operate as tellers' windows performing an exchange function that would give them the appearance of banks. This would be particularly the case where the credit union operates under an open charter in an urban community or rural district. We, therefore, urge that this authority not be given to Federal credit unions.

We appreciate the opportunity to present our views on this legislation to your committee and hope that they will receive favorable consideration.

The CHAIRMAN. The Chair understands from your fine statement that the principal objections of the American Bankers Association to the House bill are the extension of the maximum loan limit from \$400 to \$1,000, and the direction for the preparation of legislation to create central banks.

Am I right in thinking that these are the two things you object to most?

Senator BENNETT. And selling checks.

Mr. POWERS. Also the selling of checks.

The CHAIRMAN. I did not understand that you attached as much importance to the selling of checks, as you did to the \$1,000 limitation.

Mr. POWERS. We do, Mr. Chairman.

The CHAIRMAN. You attach as much importance to that?

Mr. POWERS. Yes, sir.

The CHAIRMAN. We appreciate the compliment you paid the committee for increasing the limit on unsecured loans in 1957 to \$500, but actually that bill was framed in the fall of 1956. Since that time there has been a big increase in the charges for hospitals, medical care, and so on, as you know.

In the 10 years since the limit was placed at \$400, the cost of medical care has gone up 40 percent. We have to recognize that many of these unusual demands for quick money come from sickness. So \$500 might have been an appropriate limit in the fall of 1956 when the committee counsel, Mr. Don Rogers, and I were figuring on what should go into a new revision of the banking and credit laws of the Nation. It is only realistic that we have to give some consideration to the requests of the credit unions that they be given a little more leeway in taking care of the needs of their members.

The Chair will now recognize other members of the committee who may wish to ask questions.

Senator PROXMIRE. Mr. Chairman, I do not mean to detain you. I only have a couple of questions.

The CHAIRMAN. The Senator from Wisconsin.

Senator PROXMIRE. I think we can get through these quickly.

You say in your statement :

The credit union appropriately should serve its own membership and should not extend the scope of its operation or lend its resources to other credit unions, the membership of which is outside its common bond.

Why not? They already do loan to each other. Why should they not be permitted to develop an efficient method? There is no principle involved since they loan anyway.

Mr. POWERS. I am sorry, Senator. Are you talking about loaning to individuals now?

Senator PROXMIRE. No; I am referring to your objection where you are talking about the central credit unions. You say the credit union should not—

extend the scope of its operation or lend its resources to other credit unions, the membership of which is outside its common bond.

You modify that slightly in the next sentence by saying, "Except for temporary purposes." However, the loans are being made. It was so testified by the director.

Mr. POWERS. That is right.

Senator PROXMIRE. In view of the fact they are making the loans, why should they not develop a central credit union system so they can make these loans efficiently back and forth and utilize their assets as effectively as possible among credit union members throughout the Nation?

What is the matter with that?

Mr. POWERS. At the present time, Senator, of course, the present lending authority is more or less restricted. It is our feeling that if you permit a Federal credit union bank to be set up, it would then be regarded as more or less a reserve bank for credit unions. And it is our feeling that the original concept of the organization of the credit unions never considered that to be within their scope.

Senator PROXMIRE. I see. So you are mainly concerned with the notion that credit unions may grow even bigger and may increase their loans even more, and may become more competitive with banks and savings and loan associations?

Mr. POWERS. That is one point.

Senator PROXMIRE. All right. You testified against increasing the loan limits. What is the loan limit in Minnesota?

Mr. POWERS. I am sorry. I do not know.

Senator PROXMIRE. It is my understanding that there is not any. I wonder, in view of that fact, and the fact that the same practice exists in some other States, and the fact that there has not been a bad record on repayments, why there should be any real objection on the part of the American bankers to an increase from \$400 to \$1,000. Especially in view of the eloquent statement of the chairman that the loans are being used to a great extent for people who are sick and for hospital costs that have increased so greatly.

Mr. POWERS. While it is true that many of the loans were made to pay off bills of that kind, I know a great majority of the loans made in Minnesota by the credit unions are for other purposes. And from our own experience in the banking business, I believe there is a certain danger in increasing unsecured loans up to \$1,000.

The concentration of loans would certainly increase the liquidity of the lending institution.

Senator PROXMIRE. That is certainly so, and that is why it seems to me it would be desirable to permit a central bank so they could have a greater flexibility. It is true that they would tie up their funds a little more if they were to confine it to 3-year operations.

Mr. POWERS. Senator, you just mentioned the word "bank." As a banker, if you are talking about competition, operating a small country bank as I do, in a small country town, I have to think about my stockholders and the taxes I pay, and things of that kind. A lot of other things might enter into this matter.

Senator PROXMIRE. That is right. You have a difficult situation. As I understand it, in Mora, Minn., you are in some competition in a sense with a credit union. But the credit union is State-chartered and is in entirely different circumstances than Federal credit unions. Is it not correct that the regulations for Federal and for State credit unions are different?

Mr. POWERS. For the record I would say that we have no quarrel with the credit union we have in Mora because we get along fine with them, and there is no quarrel with them. But you mentioned the word "bank" and we do have other things to consider when we operate a bank.

Senator PROXMIRE. Thank you very much.

The CHAIRMAN. The Chair recognizes the Senator from New Jersey.

Senator WILLIAMS. Just one observation, Mr. Chairman. I am advised there is a heavy demand for credit union loans to meet the cost of education. I believe it is a fact in the last 10 years the cost of education, housing, room and board, and tuition has more than doubled.

A staff member of the committee who was recently a professor on a college campus tells me there is increasing pressure for these costs to rise even more in order to have college students entirely pay their way at these institutions.

In view of the heavy demand for loans for education, I think this should be considered in setting the ceiling on loans.

Senator BENNETT. May I make a comment?

The CHAIRMAN. The Senator from Utah.

Senator BENNETT. I keep remembering there is no limit on secured loans. The \$400 limit we are talking about applies only to unsecured loans. I am wondering how wise it would be for a person to get an unsecured loan for financing a college education which would run for 3 or 4 years and the cost of which would certainly be in excess of \$1,000 a year. If I were a credit union official, I am not sure I would want to lend unsecured money for that sort of purpose. It is my understanding the unsecured loan is something of an emergency matter, where the man just has to have the money tomorrow or next week and is not prepared to make a long-range provision for its security and repayment.

Senator WILLIAMS. My only observation is I would think that borrowing money for education is one of the most worthy purposes.

Senator BENNETT. I do not quarrel with that, but—

Senator PROXMIRE. On the basis of the record, student loan repayments have been tremendously good.

Senator BENNETT. I am not quarreling about that. I am just saying as the loan officer of a credit union, if I were asked to lend money for education, I would be more interested in a secured loan than in letting my funds available for liquid and current needs go on an unsecured basis.

Senator WILLIAMS. Of course the Federal Government has a loan program of its own for education, I believe.

Senator BENNETT. We are not talking about that.

Senator WILLIAMS. I do not believe there is any security required for those loans.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. If there are no other questions, we thank you very much.

Mr. POWERS. Thank you.

The CHAIRMAN. We have a letter from Senator McCarthy, and letters and statements from the AFL-CIO and Philadelphia Federal Credit Union, which will go in the record.

(The letters referred to follow :)

U.S. SENATE,
COMMITTEE ON FINANCE,
August 20, 1959.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR SENATOR ROBERTSON: I am happy to learn that the Senate Committee on Banking and Currency will consider bills to amend the Federal Credit Union Act on Friday, August 21.

I believe that credit unions make a valuable contribution to the economic life of the Nation and that they are especially important in providing a yardstick for reasonable rates on interest for consumers. The record shows that credit unions chartered by the States have modernized their laws to meet changing conditions. While the Federal Credit Union Act of 1934 has proven to be a very effective act, I believe the revision is needed in the light of the experience of the past 25 years.

Accordingly, on last May 19 I introduced a bill to amend the Federal Credit Union Act (S. 1985). I have studied the House report and bill as amended (H.R. 8305). While I regret certain differences from my bill, particularly the exclusion of the power to set up Federal central credit unions, I believe that the House bill represents a substantial improvement in the existing law. Therefore, I recommend that the Banking and Currency Committee approve and report out H.R. 8305 as amended, for consideration by the U.S. Senate.

With best wishes.

Sincerely yours,

EUGENE J. MCCARTHY.

AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., August 19, 1959.

HON. A. WILLIS ROBERTSON,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D.C.*

DEAR CHAIRMAN ROBERTSON: While I am not able to appear personally before your committee for its hearings on amendments to the Federal Credit Union Act, I wish to indicate the full support of the AFL-CIO for needed changes in this act, as represented by H.R. 8305, S. 1786, and S. 1985, and would like this letter to be made part of the record.

S. 1786 and S. 1985 contain the amendments originally endorsed by the AFL-CIO in its testimony before Subcommittee No. 3 of the House Banking and Currency Committee. I am enclosing a copy of this testimony for reference. It discusses our position in detail.

H.R. 8305 has, of course, already been passed by the House of Representatives. We consider it a constructive bill, even though it does not make all the changes we originally supported.

We respectfully urge that your committee report this bill favorably to the Senate for action before the end of this session of the Congress.

With all good wishes, I am,

Sincerely,

GEORGE D. RILEY,
Legislative Representative.

STATEMENT OF GEORGE D. RILEY, AFL-CIO LEGISLATIVE REPRESENTATIVE

We welcome this opportunity to support certain bills to amend the Federal Credit Union Act. These bills are H.R. 5777, introduced by Mr. Patman, H.R. 3674, introduced by Mr. Multer, and H.R. 3675, introduced by Mr. Anderson. All would make virtually the same substantive amendments. In addition, the latter two identical bills would introduce several technical and clarifying changes in the language of the act, through consecutive rewriting throughout.

Many of the amendments contained in these bills were discussed before your committee last session during consideration of the comprehensive financial institutions bill of 1957. We are not prepared to speak on technical points of the proposed changes in the present bills, but we do support strengthening and improvement of Federal credit unions. On specific details, we feel that the testimony of the Credit Union National Association, which is the direct representative of operating credit unions and which has broad knowledge of operating experience, should be given primary weight.

Our position as a labor organization is that we favor all amendments that strengthen credit unions, enable them to give better service to their membership, increase the safety of funds they administer, and otherwise to enable credit unions to operate more effectively.

The credit union is a unique financial institution specifically tailored to the saving and credit needs of working people with moderate and low incomes. The great majority of the groups that form credit unions are employee groups, the common bond of association being that of the place of employment. Millions of trade union members also are members of employee credit unions, and, in addition, trade union sponsorship has been an active ingredient in the formation of many of these credit organizations. There are, in fact, 464 credit unions directly sponsored by AFL-CIO affiliates throughout North America.

LOW INTEREST VERSUS HIDDEN CHARGES

Low-interest credit union loans are the small earner's principal alternative to the high-interest rate funds eagerly offered by small-loan companies and to the frequently deceptive and expensive charges hidden in installment sales contracts. In addition to providing personal credit, credit unions foster habits of thrift among their members and render valuable assistance in counseling on personal financial problems.

Such organizations are a strong demonstration of the beneficial results to be obtained on the principle of mutual self-help. As affirmed by an AFL-CIO policy resolution adopted at the 1955 convention:

"One of the most useful types of cooperative is the credit union through which a group pools its own savings and then lends funds to its own members at a low-interest rate. In recent years credit unions have grown spectacularly and hundreds of AFL-CIO unions have established them, thereby saving millions of dollars which otherwise would have been paid out to small-loan companies which charge extortionate high-interest rates. Besides, the credit unions earn a substantial return for their members in the form of interest paid on their savings."

LOAN TERMS

The proposed amendments make two important changes in individual loan terms, which we believe will be very beneficial to individual members. One would extend the statutory loan maturity limit from the present 3 years to a maximum of 5 years. The other would increase the loan amount obtainable on a signature basis, from the present \$400 to a maximum of \$1,000. The present maximums have been unchanged since 1949 and are clearly obsolete.

The longer loan maturity limit will enable some members who might not otherwise be able to do so, to undertake home modernization projects and it will

enable others to carry through more realistic plans for paying off consolidated debts.

A higher signature loan limit is clearly needed in view of today's near record high prices of goods and services. The sums people may have to muster to meet sudden expenses of illness, or to pay for housefurnishings or automobiles has increased.

State small-loan laws, it may be noted, have been progressively raising the maximum on loan amounts, particularly within the last 2 or 3 years. Originally, most States set a maximum of \$300 on small loans. But today, of the 39 operative small-loan laws in effect, 28 have limits which range up to \$5,000, with the usual limit being between \$500 and \$1,500. Thirteen provide at least a \$1,000 maximum.

Beyond the convenience and even necessity of longer loan limits and higher signature maximums, credit union experience has indicated that more liberal terms may be set with entire safety to credit union funds.

DIVIDEND POLICIES AND CHECK-CASHING FEES

We support the amendments relating to dividend payments, which would provide additional convenience and benefits to individual members by allowing the credit union to declare dividends on a semiannual basis instead of only once a year, if it chose to do so, and to permit dividend accrual on shares becoming fully paid up within the first 5 days of the month. The amendment to transfer the authority for declaring dividends from the membership to the board of directors also has our support. Permission for credit unions to charge fees for cashing checks to reimburse them for expenses of clearing checks with banks appears a reasonable provision where desired by the membership of the particular credit unions involved.

INTERNAL ADMINISTRATIVE ARRANGEMENTS

The bills we are supporting would make several amendments affecting internal staff arrangements and the powers, duties, and compensation of credit union officials. These all appear to be reasonable, but we wish especially to urge favorable action on the amendment permitting the credit committee to appoint a paid loan officer to act in its behalf in approving loan applications by individual members. Such an arrangement will facilitate quick action for a person who needs an immediate loan. For members with emergency credit needs, the elimination of the delays involved in convening the credit committee can be vital. The decisions of the loan officer would still remain subject to review by the credit committee, but the loan procedure would be made much more efficient. We strongly commend this amendment.

FEDERAL CENTRAL CREDIT UNIONS

We also support the amendment which would authorize the chartering of Federal central credit unions made up of local credit unions within a particular geographical area, or which could include as individual members, directors and committee members of credit unions.

Both the stability and the loan flexibility of individual credit unions would be enhanced by the availability of a central source of credit representing the combined resources of the member unions within geographical areas. The territorial basis, in each case, would be voluntarily established by those unions wishing to join together and thus would be tailored to local economic realities.

Under present law, of course, credit unions can and do borrow from each other. But the efficiency and safety of borrowing procedures would be much improved by the mechanism of a central organization in which the member unions own shares and which would be able to muster larger resources to meet special borrowing needs which cannot always be met by other lending institutions.

For example, in a particular locality where one or more industries may be hit by a recession causing much unemployment, local credit unions are under severe demands for cash withdrawals and loans to meet acute personal needs. The credit union is often the only source of credit for a person temporarily out of a job. The credit union in turn may find its borrowing opportunities limited, but with the availability of additional credit from a central organization of its own it can weather the economic distress. Then, again, workers employed on a seasonal basis may make severe demands on credit union facilities during cer-

tain periods of the year. Central credit unions would ease the strain of widely fluctuating credit demands on the part of particular memberships. Or in areas suddenly visited by flood or other disaster, forcing members out of their homes, their jobs or both, the need for additional credit union reserves may be vital.

We urge the authorization of Federal central credit unions. Some State laws—Michigan is one example—currently do make provision for central credit unions in which State-chartered unions can be members. Federally chartered unions, however, cannot fully participate in these central unions, nor is there other provision for a central credit union they can belong to.

A second purpose of the amendment for Federal central credit unions is to provide full credit union facilities to officers and committee members of local credit unions. These individuals, as persons with direct influence over the policies of the credit unions in which they officiate, are rigidly restricted as to amounts they may borrow from their own organizations. By allowing such officials to participate in a separate central credit union, they may exercise normal borrowing powers without undergoing special personal disadvantage in order to volunteer their energies in service to their own local credit organizations. There is an additional amendment in the bills, which we also endorse, easing the present restrictions on credit within their own credit unions by allowing additional loans where secured on shareholdings of a cosignatory.

MISCELLANEOUS

In addition to the amendments discussed above, there are a number of special changes relating to different administrative or procedural matters, such as placing the Bureau of Federal Credit Unions under the Administrative Procedures Act, making robbery of Federal credit unions a crime under Federal law, and easing the membership definition under which credit unions for Federal employees may occupy space in Federal buildings. The bills would also permit Federal credit unions to convert to State charters and vice versa. We endorse these and other technical amendments increasing the effectiveness of the law.

CONCLUSION

The present bills, with the numerous and carefully worked out revisions they contain for the Federal Credit Union Act, offer an excellent opportunity to modernize and make even more serviceable this highly successful financial institution which has proved of such benefit to working people. The proposed amendments grow directly out of the operating experience of 25 years and should be enacted.

I thank the committee for this opportunity to present the views of the AFL-CIO.

PHILADELPHIA REX FEDERAL CREDIT UNION,
Philadelphia, Pa., May 13, 1959.

Hon. JOSEPH S. CLARK,
Senate Office Building,
Washington, D.C.

DEAR SENATOR CLARK: Enclosed is a copy of my statement to Subcommittee No. 3 of the House Banking and Currency Committee relative to consideration of H.R. 5777.

Senator Sparkman has introduced in the Senate S. 1786, which is identical to the Patman resolution.

Your support of these measures will be deeply appreciated.

These proposed changes in the Federal Credit Union Act are, as my statement points out, very much needed to bring the law into step with the present economy.

The proposed Federal central credit unions would streamline our operations in that the need to make possibly 20 more telephone calls before finding a credit union with funds available.

At present we interlend among each other but finding a credit union with funds requires a lot of patience. The proposed change would eliminate these problems.

We borrow also from banks from time to time but the "line of credit" is usually so limited that we take what is offered and then go to another credit union for the balance. In addition, we run the risk of having our bank loans recalled from time to time, even though we are financially sound.

I suspect you may have questions. If so, please feel free to write me. If need be, I will be pleased to go to Washington so you may have firsthand knowledge of our needs.

Warmest personal regards,

JAMES J. GIRVAN, *Manager*.

STATEMENT OF JAMES J. GIRVAN, DIRECTOR OF CREDIT UNION NATIONAL
ASSOCIATION, INC., FROM PENNSYLVANIA

My name is James J. Girvan. I am a director of the Credit Union National Association from Pennsylvania and treasurer of two Federal credit unions in Philadelphia. One of these credit unions serves members of the Catholic Knights of Columbus; the other serves employees of the Railway Express Agency.

I also am president of the Pennsylvania Credit Union League. As such, I represent approximately 600,000 persons who hold membership in Pennsylvania's 1,100 credit unions. More than 1,000 of these credit unions, numbering more than 500,000 members, are federally chartered. On their behalf I urge your support of the proposed recodification of the Federal Credit Union Act, or the bills containing specific amendments to the act, all of which include almost identical desirable changes.

Our Federal credit unions have enjoyed the happy privilege of serving their members with thrift service and low-cost credit for provident and productive purposes since 1934, when the act was originally approved.

The experiences of credit unions and the changes which have occurred in our economy since that time have given to the leaders of the individual credit unions, the State credit union league and our national association many opportunities to study needed and desirable changes in the existing law.

These studies were essential in order that the almost 10,000 Federal credit unions now operating could serve the thrift and credit needs of their membership most effectively under constantly changing conditions.

I would like to use this privilege of appearing before you to bring to your attention particularly the desirability and necessity of the proposed change to provide for Federal central credit unions.

Such Federal central credit unions would include within their membership both Federal credit unions and credit unions organized under the law of any State, the District of Columbia, the several territories and possessions, the Canal Zone, the Commonwealth of Puerto Rico, and members of credit unions who are directors and committeemen of credit unions within a well-defined geographical area.

At the present time there are in operation Federal credit unions whose membership is restricted to directors and credit and supervisory committee members of both Federal and State credit unions and are commonly known as officer credit unions. These credit unions are restricted to operational areas within a State or a portion of a State.

Their share capital can be obtained only from these eligible directors and committee members, who are restricted as to loans in their own credit unions where they hold office to an amount equal to their own shares.

Although these officer credit unions endeavor to serve the credit needs of their membership, the funds available for this purpose are limited since the directors and committeemen that make up the membership prefer to purchase shares in their own primary credit union. Therefore, these officer credit unions have a very limited ability to serve their credit function. An additional source of funds is essential in order to remove a currently existing serious obstacle to the recruitment of the best qualified individuals to serve as credit union officials, due to loan restrictions on their own credit unions. This need can best be answered by the proposed Federal central credit unions.

The Federal central credit union can also serve as a very effective medium for satisfying the credit needs of the individual credit unions. Federal credit unions have the privilege in the present law of borrowing up to 50 percent of their unimpaired capital and surplus. This provision is designed to enable them to borrow to meet the loan demand of their own members when the accumulation of shares is less than their credit needs. In some credit unions this is a constantly recurring situation. However, in attempting to borrow for this purpose, many credit unions experience a serious problem due to the reluctance of other financial institutions to make loans to credit unions and the difficulty, delay, and restrictions applicable to such loans when made by such institutions.

As a result, credit unions desiring to use their borrowing privileges must often seek loans from other credit unions. In so doing they frequently encounter the experience of being forced to make a number of loans in small amounts from several credit unions. This is caused by the fact that credit unions with funds in excess of their own member needs find it a desirable and provident business procedure to invest their funds in U.S. Government bonds and obligations and in other insured savings and loan institutions. In this manner they obtain some return on extra funds while retaining a reasonable amount of cash on hand to meet their own needs.

To redeem these investments in order to assist another credit union with a loan could result in a reduction in cash value in some instances and a loss of dividend or interest earnings in others. Therefore, the funds of other credit unions are not readily available for loans to other credit unions.

A large number of these credit unions would be willing to place a certain amount of their funds in the proposed Federal central credit union as an investment in shares of the central on which they would receive a reasonable dividend return. Their participation would be motivated by their desire to help other credit unions obtain loans through the central when such loans are not readily available elsewhere.

There are currently in existence central credit unions within some States which operate under State law. The proposed revision of the Federal Credit Union Act would permit Federal credit unions to avail themselves of the share and loan facilities of such currently operating State central credit unions and also provide for establishment of Federal central credit unions to serve in the same manner in areas where State central credit unions are not permissible under existing laws.

The State central credit unions currently functioning have more than justified their existence in terms of achievement. There appears to be no theoretical or practical justification for not authorizing the establishment of Federal central credit unions where needed in order that Federal credit unions may also benefit from this mode of operation.

To sum up, the function of Federal central credit unions would be to accept credit union surplus funds for the purpose of making loans to credit unions and to officials of credit unions in need of credit.

The proposed Federal central credit unions would provide for a cooperative structure which has a very much needed and proper position in the true mutual purpose of credit unions.

The proposed Federal central credit unions could be established only by authorization of the supervising agency and would function within a well-defined geographical area.

The proposed Federal central credit unions would provide a medium for the mutual use of funds in the interest of the members of many credit unions, and eliminate existing handicaps created by conditions not within the control of the credit unions.

Your favorable acceptance of this portion of the proposed legislation and all other amendments before you is merited. Your approval is earnestly solicited.

Your courtesy to me in extending the privilege of presenting these views is sincerely appreciated.

The CHAIRMAN. We have a letter from Senator Moss in support of H.R. 8305 which will be inserted in the record, together with any communications that may be received before this hearing is printed.

(The following were received for the record:)

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
August 20, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Banking and Currency Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: Please enter into the record of the hearings on H.R. 8305 this letter expressing my support of the measure. The amendments it proposes to the Credit Union Act will make it possible for credit unions to operate more effectively in providing for the credit needs of our working people.

I hope the committee will report this measure favorably at an early date.

With kindest regards.

Sincerely,

FRANK E. MOSS,
U.S. Senator.

TREASURY DEPARTMENT,
August 25, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your letter of April 27, 1959, requesting a report on S. 1786, a bill to amend the Federal Credit Union Act.

The proposed legislation would make a number of substantive changes in the law governing the operation of Federal credit unions. Many of the provisions of the bill are not of interest to the Treasury Department and the Department has no comments to make on them. The attached memorandum sets forth the sections of the bill of concern to the Department and its comments thereon.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

LAURENCE B. ROBBINS,
Acting Secretary of the Treasury.

RE S. 1786, A BILL TO AMEND THE FEDERAL CREDIT UNION ACT

As stated in our letter to your committee, the Treasury Department is not in favor of certain of the changes in the Federal Credit Union Act as proposed by S. 1786, which are as follows:

(1) Sections 1 and 5 would create Federal central banks for credit unions and permit Federal credit unions to invest in capital and stocks of Federal and State central credit unions. It is our opinion that there is no need for the creation of Federal central credit unions nor do we consider the proposal desirable.

(2) Section 2 would extend the loan maturity from 3 to 5 years. We doubt that there is any significant need for extending the loan maturity beyond the present 3-year limit. We understand that only about 10 percent of the total number of loans made are for the present maximum limit. Possibly some home improvement loans could be made more advantageously with longer maturities; however, should it be considered desirable to extend the maximum maturity period for such purposes, it is recommended that such loans be amortized to maturity by frequent regular and substantially equal payments including principal and interest during the life of the loan.

(3) Section 4 would provide authority for Federal credit unions to cash and sell checks for a reasonable charge to its members and "individuals eligible to become members." It is our opinion that the business of credit unions should be confined to their members, and we therefore feel no credit union services should be extended to nonmembers. We further feel that credit union members should not be required to pay a fee for a check representing a withdrawal from their loan account or for the proceeds of a loan transaction.

(4) Section 5 provides that instead of being elected by the members, the supervisory committee would be appointed by the president. This is one of several proposed changes which weakens the control by the board of directors of the internal affairs of the credit union. It is our opinion that the board of directors should appoint the supervisory committee since they have the responsibility for the general direction and control of the affairs of the credit union. Sound internal audit control policy contemplates that those responsible should be accountable only to the board of directors.

(5) Section 7(a) would change the present law to allow the board of directors to appoint a membership chairman to act upon applications for membership. As previously noted, this again removes from the body responsible one of their important functions and responsibilities. It is our opinion that the board of directors alone should retain authority to approve or disapprove membership, and this responsibility should not be delegated to one man. It is inconceivable that the delay occasioned by waiting for a regular meeting of the board to approve a membership would outweigh the inherent danger of placing in one person the control of membership.

(6) Section 8(a) of the bill would change the present law to permit the credit committee to appoint a paid loan officer who would be authorized to make loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. This again seeks to remove a function from the

responsible committee. If such a delegation is nevertheless deemed to be necessary and desirable, it is our opinion that the limit should not be set at the unsecured loan limit but the committee should limit each loan officer's authority to approve loans in accordance with their determination of his personal capacity to appraise the credit worthiness of borrowers.

(7) Section 9 would increase the unsecured loan limit from the present \$400 to \$1,000. There appears to be no real need to increase the lending limit to \$1,000 and it is our opinion that if an increase is justified a limit of \$500 would be more realistic and more in keeping with the safe lending capacity of Federal credit unions.

(8) Section 11 would provide that all persons in credit unions who may be directly affected by an adjudication by the Director of the Bureau of Federal Credit Unions shall be given the opportunity for a hearing. It is our opinion that there is no need for such a provision and it is doubtful that it would serve the best interests of credit union members.

(9) Section 14 provides for the conversion of a Federal to a State credit union. It is recommended that a majority vote, either in person or in writing, by the members of the credit union be required for the conversion from a Federal to a State credit union. The proposed requirement that such conversion require only two-thirds of the vote of the members present would enable a small minority of the membership to effect a conversion.

TREASURY DEPARTMENT,
August 25, 1959.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to your letter of May 20, 1959, requesting a report on S. 1985, a bill to amend the Federal Credit Union Act.

The proposed legislation would make a number of substantive changes in the law governing the operation of Federal credit unions. Many of the provisions of the bill are not of interest to the Treasury Department, and the Department has no comments to make on them. The attached memorandum sets forth the sections of the bill of concern to the Department and its comments thereon.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

LAURENCE B. ROBBINS,
Secretary of the Treasury.

MEMORANDUM RE S. 1985, A BILL TO AMEND THE FEDERAL CREDIT UNION ACT

As stated in our letter to your committee, the Treasury Department is not in favor of certain of the changes in the Federal Credit Union Act as proposed by S. 1985, which are as follows:

(1) Sections 2, 8(7) (e), 10, 11, 12, and 15 would create Federal control banks for credit unions and permit Federal credit unions to invest in capital stock of Federal and State central credit unions. It is our opinion that there is no need for the creation of Federal central credit unions, nor do we consider the proposal desirable.

(2) Section 8(5) would extend the loan maturity from 3 to 5 years. We doubt that there is any significant need for extending the loan maturity beyond the present 3-year limit. We understand that only about 10 percent of the total number of loans made are for the present maximum limit. Possibly some home-improvement loans could be made more advantageously with longer maturities; however, should it be considered desirable to extend the maximum maturity period for such purposes, it is recommended that such loans be amortized to maturity by frequent regular and substantially equal payments, including principal and interest, during the life of the loan.

(3) Section 8(12) would provide authority for Federal credit unions to cash and sell checks for a reasonable charge to its members and "individuals eligible to become members." It is our opinion that the business of credit unions should be confined to their members, and we, therefore, feel that no credit union services should be extended to nonmembers. We further feel that credit union members

should not be required to pay a fee for a check representing a withdrawal from their loan account or for the proceeds of loan transactions.

(4) Sections 12 and 16 provide that, instead of being elected by the members, the supervisory committee would be appointed by and subject to removal by the President. This is one of several proposed changes which weaken the control by the board of directors of the internal affairs of the credit union. It is our opinion that the board of directors should appoint the supervisory committee, since they have the responsibility for the general direction and control of the affairs of the credit union. Sound internal audit control policy contemplates that those responsible should be accountable only to the board of directors.

(5) Section 14 would change the present law to allow the board of directors to appoint a membership chairman to act upon applications for membership. As previously noted, this again removes from the body responsible one of their important functions and responsibilities. It is our opinion that the board of directors alone should retain authority to approve or disapprove membership and that this responsibility should not be delegated to one man. It is inconceivable that the delay occasioned by waiting for a regular meeting of the board to approve a membership would outweigh the inherent danger of placing in one person the control of membership.

(6) Section 15 would change the present law to permit the credit committee to appoint a paid loan officer who would be authorized to make loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. This again seeks to remove a function from the responsible committee. If, notwithstanding, such a delegation is deemed to be necessary or desirable, it is our opinion that the limit should not be set at the unsecured loan limit but the committee should limit each loan officer's authority to approve loans in accordance with their determination of his personal capacity to appraise the credit worthiness of the borrowers.

(7) Section 15 would also increase the unsecured loan limit from the present \$400 to \$1,000. There appears to be no real need to increase the lending limit to \$1,000 and it is our opinion that if an increase is justified, a limit of \$500 would be more realistic and more in keeping with the safe lending capacity of Federal credit unions.

(8) Sections 19 and 21(i) would provide that all persons and credit unions who may be directly affected by an adjudication by the Director of the Bureau of Federal Credit Unions under this act shall be given the opportunity for a hearing. It is our opinion that there is no need for such a provision and it is doubtful that it would serve the best interest of credit union members.

(9) Section 26(a)(1) provides for the conversion of a Federal to a State credit union. It is recommended that a majority vote, either in person or in writing, by the members of the credit union be required for the conversion from a Federal to a State credit union. The proposed requirement that such conversion require only two-thirds of the vote of the members present would enable a small minority of the membership to effect a conversion.

TREASURY DEPARTMENT,
August 25, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your letter of August 5, 1959, requesting a report on H.R. 8305, a bill to amend the Federal Credit Union Act.

This Department would favor changes in several of the sections of the proposed legislation. We have attached a memorandum outlining the sections which we do not favor and the reasons for our objections. The remaining provisions of this bill are not of interest to this Department and we have no comments to make thereon.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

LAURENCE B. ROBBINS,
Acting Secretary of the Treasury.

MEMORANDUM RE H.R. 8305, A BILL TO AMEND THE FEDERAL CREDIT UNION ACT

As stated in our letter to your committee, this Department is not in favor of certain of the changes in the Federal Credit Union Act as proposed by H.R. 8305, which are as follows:

(1) Section 8(5) would extend the loan maturity from 3 to 5 years. We doubt that there is any significant need for extending the loan maturity beyond the present 3-year limit. We understand that only 10 percent of the total number of loans made are for the present maximum limit. Possibly some home improvement loans could be made more advantageously with longer maturities. However, should it be considered desirable to extend the maximum maturity period for such purposes, it is recommended that such loans be amortized to maturity by frequent regular and substantially equal payments, including principal and interest, during the life of the loan.

(2) Section 14 would change the present law to allow the board of directors to appoint a membership chairman to act upon applications for membership. This removes from the body responsible one of their important functions and responsibilities. It is our opinion that the board of directors alone should retain authority to approve or disapprove membership and that this responsibility should not be delegated to one man. It is inconceivable that the delay occasioned by waiting for a regular meeting of the board to approve a membership would outweigh the inherent danger of placing one person in control of the membership.

(3) Section 15 would change the present law to permit the credit committee to appoint a paid loan officer who would be authorized to make loans up to the secured limit, or in excess of such limit if such excess is fully secured by unpledged shares. This again seeks to remove a function from the responsible committee. If, notwithstanding, such a delegation is deemed to be necessary or desirable, it is our opinion that the limit should not be set at the unsecured loan limit but that the committee should limit each loan officer's authority to approve loans in accordance with their determination of his personal capacity to appraise the credit worthiness of the borrowers.

(4) Section 15 would also increase the unsecured loan limit from the present \$400 to \$1,000. There appears to be no real need to increase the lending limit to \$1,000, and it is our opinion that if an increase is justified a limit of \$500 would be more realistic and more in keeping with the safe lending capacity of Federal credit unions.

(5) Section 27 provides for the Director of the Bureau of Federal Credit Unions to submit to Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions. It is our opinion that there is no need for the creation of Federal central credit unions.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, August 14, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: This is in further reply to your request for comments on S. 1786 and S. 1985, bills to amend the Federal Credit Union Act.

These proposals would revise the Federal Credit Union Act of 1934 as amended, by, among other things, providing for the chartering of Federal central credit unions composed of Federal credit unions and credit unions organized under the laws of a State, Territory, or possession. It would also increase loan maturity and signature loan limits from 3 to 5 years and from \$400 to \$1,000, respectively. The Director of the Bureau of Federal Credit Unions in the Department of Health, Education, and Welfare would be authorized to prescribe rules and regulations for the administration of the proposals, suspend or revoke charters, and exercise other administrative authority.

We are in accord with the general purposes of these bills of modernizing the Federal Credit Union Act to take into account the changes that have occurred in our economy and the needs of Federal credit unions and their members since the passage of the original act in 1934. Although the Department of Labor has no direct responsibility over credit unions, the providing of consumer credit at reasonable cost and through consumer cooperative to the families of wage earners is of deep concern to us.

While we prefer to leave detailed comment on the specific proposals contained in the bills to those agencies with direct responsibilities in this area, we would like to comment on several provisions.

This Department favors the proposed increase from 3 to 5 years in the loan maturity limit. This increase would permit Federal credit unions to extend more loans for home improvement and modernization and would more adequately meet the modern-day demands for various other types of loans. It would also tend to bring the Federal law more into line with many State laws.

With respect to the provisions of S. 1786 and S. 1985 authorizing the chartering of Federal central credit unions, it should be noted that central credit unions composed of State-chartered credit unions can be organized under some State laws. These central credit unions make available a central source of credit to all member unions. Further, under the present Federal Credit Union Act Federal credit unions can borrow from any source and are permitted to make loans to other credit unions. Therefore, it might be considered advisable to delay any action on these provisions of the proposed legislation until the necessity for Federal central credit unions is more clearly established and experience with the operations of State-chartered central credit unions has been analyzed and compared with intercredit union loan operations presently authorized under the Federal law.

While the Department believes some increase in the unsecured loan limit is appropriate we would doubt the need for increasing the limit as high as \$1,000. It is our understanding that the experience of Federal credit unions with unsecured loans has been very good and that the average amount of unsecured loans is less than \$250. To increase the limit to the extent proposed might produce greater risks for Federal credit unions, particularly if the maturity limit is increased to 5 years.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely yours,

JAMES T. O'CONNELL,
Under Secretary of Labor.

The CHAIRMAN. The committee will go into executive session.
(Whereupon, at 11:53 a.m., the committee went into executive session.)

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LEGISLATIVE HISTORY

Public Law 86-354
H. R. 8305

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Index and summary of H. R. 8305

Jan.	29, 1959	Rep. Multer introduced H. R. 3674 which was referred to H. Banking and Currency Committee. Print of bill.
April	23, 1959	Sen. Sparkman introduced S. 1786 which was referred to S. Banking and Currency Committee. Print of bill. Remarks of author.
May	19, 1959	Sen. McCarthy introduced S. 1985 which was referred to S. Banking and Currency Committee. Print of bill.
July	20, 1959	Rep. Spence introduced H. R. 8305 which was referred to H. Banking and Currency Committee. Print of bill.
July	21, 1959	H. Committee reported H. R. 8305 without amendment. Print of bill and H. Rept. 696.
July	29, 1959	H. Rules Committee reported H. Res. 334, H. Report 733, for consideration of H. R. 8305.
July	30, 1959	House passed H. R. 8305 without amendment.
Aug.	3, 1959	H. R. 8305 referred to S. Banking and Currency Committee. Print of bill.
Aug.	21 , 1959	S. committee voted to report H. R. 8305 with amendments.
Aug.	25, 1959	S. committee reported H. R. 8305 with amendments. Print of bill and S. report 814.
Sept.	9, 1959	Senate passed H. R. 8305 as reported.
Sept.	10, 1959	House concurred in Senate amendments.
Sept.	22, 1959	Approved (Public Law 86-364).

House committee held hearings May 11, 12, and 13, 1959.
Senate committee held hearings August 21, 1959.

DIGEST OF PUBLIC LAW 86-354

FEDERAL CREDIT UNION ACT. Rewrites the Federal Credit Union Act of 1934 so as to incorporate various changes regarding Federal credit union operations, including an increase in the maximum maturity of loans from 3 to 5 years, an increase in the unsecured loan limit from \$400 to \$750, an authorization for Federal credit unions to cash and sell checks to members for a reasonable fee, a liberalization of borrowing restrictions on Federal credit union officials, and changes in the organizational and administrative provisions designed to make the operations of the Federal credit unions more efficient. Authorizes credit unions 95 percent of whose members are Federal employees to utilize space in Federal buildings without charge under present law 100 percent of the members must be Federal employees to be entitled to such space).

86TH CONGRESS
1ST SESSION

H. R. 3674

IN THE HOUSE OF REPRESENTATIVES

JANUARY 29, 1959

MR. MULTER introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To amend the Federal Credit Union Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Federal Credit Union Act (48 Stat. 1216), as
4 amended, is amended to read as follows:

5 “SHORT TITLE

6 “SECTION 1. This Act may be cited as the ‘Federal
7 Credit Union Act’.

8 “DEFINITIONS

9 “SEC. 2. As used in this Act—

10 “(a) The term ‘Federal credit union’ means a coopera-
11 tive association organized in accordance with the provisions

1 of this Act for the purpose of promoting thrift among its
 2 members and creating a source of credit for provident or
 3 productive purposes, and includes a cooperative association
 4 (hereinafter called a 'Federal central credit union') whose
 5 members are Federal credit unions and credit unions organ-
 6 ized in accordance with the provisions of law of any State,
 7 the District of Columbia, the several Territories and the
 8 several possessions of the United States, the Panama Canal
 9 Zone, or the Commonwealth of Puerto Rico, and located
 10 within a well-defined geographical area, and whose mem-
 11 bers may also be directors and members of the supervisory
 12 and credit committees of such credit unions.

13 “(b) The term ‘Bureau’ means the Bureau of Federal
 14 Credit Unions.

15 “(c) The term ‘Director’ means the Director of the
 16 Bureau of Federal Credit Unions.

17 “CREATION OF BUREAU

18 “SEC. 3. There shall be in the Department of Health,
 19 Education, and Welfare a Bureau of Federal Credit Unions,
 20 which shall be under the supervision of a Director appointed
 21 by the Secretary of Health, Education, and Welfare. The
 22 Bureau of Federal Credit Unions and the Director shall be
 23 under the general direction and supervision of the Secretary.

1 “FEDERAL CREDIT UNION ORGANIZATION

2 “SEC. 4. Any seven or more persons who desire to form
3 a Federal credit union shall subscribe before some officer
4 competent to administer oaths an organization certificate in
5 duplicate which shall specifically state—

6 “(1) the name of the association;

7 “(2) the location of the proposed Federal credit
8 union and the territory in which it will operate;

9 “(3) the names and addresses of the subscribers to
10 the certificate and the number of shares subscribed by
11 each;

12 “(4) the par value of the shares, which shall be \$5
13 each;

14 “(5) the proposed field of membership, specified in
15 detail;

16 “(6) the term of the existence of the corporation,
17 which may be perpetual; and

18 “(7) the fact that the certificate is made to enable
19 such persons to avail themselves of the advantages of
20 this Act.

21 “Such organization certificate may also contain any pro-
22 visions approved by the Director for the management of the
23 business of the association and for the conduct of its affairs

1 and relative to the powers of its directors, officers, or stock-
2 holders.

3 “APPROVAL OF ORGANIZATION CERTIFICATE

4 “SEC. 5. The organization certificate shall be presented
5 to the Director for approval. Before any organization cer-
6 tificate is approved, an appropriate investigation shall be
7 made for the purpose of determining (1) whether the or-
8 ganization certificate conforms to the provisions of this Act;
9 (2) the general character and fitness of the subscribers
10 thereto; and (3) the economic advisability of establishing
11 the proposed Federal credit union. Upon approval of such
12 organization certificate by the Director, it shall be the char-
13 ter of the corporation, and one of the originals thereof shall
14 be delivered to the corporation after the payment of the fee
15 required therefor. Upon such approval the Federal credit
16 union shall be a body corporate, and as such, subject to the
17 limitations herein contained, shall be vested with all of the
18 powers and charged with all the liabilities conferred and
19 imposed by this Act upon corporations organized hereunder.

20 “FEES

21 “SEC. 6. For the purpose of paying the costs incident
22 to the ascertainment of whether an organization certificate
23 should be approved, the subscribers to any such certificate
24 shall pay, at the time of filing their organization certificate,
25 the amount prescribed by the Director, which shall not

1 exceed \$20 in any case; and on the approval of any
 2 organization certificate they shall also pay a fee of \$5. Not
 3 later than January 31 of each calendar year, each Federal
 4 credit union shall pay to the Bureau, for the preceding
 5 calendar year, a supervision fee in accordance with a grad-
 6 uated scale prescribed by regulation on the basis of assets
 7 as of December 31 of such preceding year, but such fee
 8 shall in no event be less than \$10 nor more than the amounts
 9 specified in the following table: *Provided, however, That*
 10 no such annual fee shall be payable by a Federal credit
 11 union with respect to the year in which its charter is issued,
 12 or in which final distribution is made in its liquidation or the
 13 charter is otherwise canceled. All such fees shall be de-
 14 posited with the Treasurer of the United States for the
 15 account of the Bureau and may be expended by the Director
 16 for such administrative, supervisory and other expenses
 17 incurred in carrying out the provisions of this Act as he
 18 may determine to be proper, the purpose of such fees being
 19 to defray such expenses as far as practicable.

Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000---	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000--	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000--	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

1 greater rate of interest has been paid, the person by
2 whom it has been paid, or his legal representatives,
3 may recover back from the credit union taking or re-
4 ceiving the same, in an action in the nature of an action
5 of debt, the entire amount of interest paid: *Provided*,
6 That such action is commenced within two years from
7 the time the usurious collection was made;

8 “(6) to receive from its members payments on
9 shares;

10 “(7) to invest its funds (a) in loans exclusively
11 to members; (b) in obligations of the United States of
12 America, or securities fully guaranteed as to principal
13 and interest thereby; (c) in accordance with rules and
14 regulations prescribed by the Director, in loans to other
15 credit unions in the total amount not exceeding 25 per
16 centum of its paid-in and unimpaired capital and sur-
17 plus; (d) in shares or accounts of savings and loan asso-
18 ciations, the accounts of which are insured by the Fed-
19 eral Savings and Loan Insurance Corporation; or (e)
20 in shares of Federal central credit unions and in shares
21 or accounts of other central credit unions, as defined in
22 section 2, paragraph (a) of this Act. Payments to, and
23 withdrawals from, such central credit unions by a Fed-

1 eral credit union must be specifically authorized by the
2 board of directors of such Federal credit union;

3 “(8) to make deposits in national banks and in
4 State banks, trust companies, and mutual savings banks
5 operating in accordance with the laws of the State in
6 which the Federal credit union does business;

7 “(9) to borrow, in accordance with such rules and
8 regulations as may be prescribed by the Director, from
9 any source, in an aggregate amount not exceeding 50
10 per centum of its paid-in and unimpaired capital and
11 surplus: *Provided*, That any Federal credit union may
12 discount with or sell to any Federal intermediate credit
13 bank any eligible obligations up to the amount of its
14 paid-in and unimpaired capital;

15 “(10) to levy late charges, in accordance with the
16 bylaws, for failure to meet promptly their obligations
17 to the Federal credit union;

18 “(11) to impress and enforce a lien upon the shares
19 and dividends of any member, to the extent of any loan
20 made to him and any dues or fines payable by him;

21 “(12) to charge members and individuals eligible
22 to become members a reasonable fee for cashing or sell-

1 ing checks, not to exceed the direct and indirect costs
2 incident to providing such service;

3 “(13) to exercise such incidental powers as shall
4 be necessary or requisite to enable it to carry on
5 effectively the business for which it is incorporated.

6 “BYLAWS

7 “SEC. 9. In order to simplify the organization of Fed-
8 eral credit unions the Director shall from time to time cause
9 to be prepared a form of organization certificate and a form
10 of bylaws, consistent with this Act, which shall be used by
11 Federal credit union incorporators, and shall be supplied to
12 them on request. At the time of presenting the organization
13 certificate the incorporators shall also submit proposed by-
14 laws to the Director for his approval.

15 “MEMBERSHIP

16 “SEC. 10. Federal credit union membership shall con-
17 sist of the incorporators and such other persons and incor-
18 porated and unincorporated organizations, to the extent
19 permitted by rules and regulations prescribed by the Di-
20 rector, as may be elected to membership and as such shall,
21 each, subscribe to at least one share of its stock and pay the
22 initial installment thereon and the entrance fee; except that
23 other than as provided in section 2, paragraph (a) of this
24 Act as to Federal central credit unions, Federal credit union
25 membership shall be limited to groups having a common

1 bond of occupation or association, or to groups within a
2 well-defined neighborhood, community, or rural district.
3 A Federal credit union may, by authorization of its board
4 of directors, become a subscriber to, or organizer or member
5 of, a Federal central credit union or a central credit union
6 as defined in section 2, paragraph (a) of this Act. Shares
7 may be issued in joint tenancy with right of survivorship
8 with any person designated by the credit union member, but
9 no joint tenant shall be permitted to vote, obtain loans, or
10 hold office, unless he is within the field of membership and
11 is a qualified member.

12 "MEMBERS' MEETINGS

13 "SEC. 11. The fiscal year of all Federal credit unions
14 shall end December 31. The annual meeting of each Fed-
15 eral credit union shall be held at such time during the month
16 of the following January and at such place as its bylaws shall
17 prescribe. Special meetings may be held in the manner
18 indicated in the bylaws. No member shall be entitled to
19 vote by proxy but a member other than a natural person
20 may vote through an agent designated for the purpose. Ir-
21 respective of the number of shares held by him, no member
22 shall have more than one vote. Federal credit unions hav-
23 ing membership in a central credit union may be represented
24 at annual or special meetings of the central credit union by
25 one member duly authorized by the board of directors of the

1 member Federal credit union. To the extent permitted by
2 the articles or certificate of incorporation or bylaws of the
3 central credit union, such representative shall have one vote
4 and shall be eligible for office in the central credit union the
5 same as though he were a member as an individual of such
6 central credit union.

7 "MANAGEMENT

8 "SEC. 12. The business affairs of a Federal credit union
9 shall be managed by a board of not less than five directors,
10 and a credit committee of not less than three members, all
11 to be elected at the annual members' meeting by and from
12 the members which, in the case of Federal central credit
13 unions, shall be deemed to include the duly authorized
14 representatives of the member credit unions, and by a
15 supervisory committee of three members, one of whom may
16 be a director other than the treasurer, to be appointed by
17 the president from the membership promptly following the
18 annual meeting, subject to ratification by the board at its
19 next meeting. If the board fails to ratify the appointment
20 of any member of the supervisory committee, the term of
21 such member shall thereupon cease, and the president shall
22 immediately appoint a replacement, subject to ratification
23 by the board at its next succeeding meeting. Any vacancy

1 occurring in the supervisory committee shall be filled in the
2 same manner as original appointments to said committee.
3 All members of the board and of such committees shall hold
4 office for such terms, respectively, as the bylaws may provide.
5 A record of the names and addresses of the members of the
6 board and such committees and officers shall be filed with
7 the Bureau within ten days after their election or appoint-
8 ment. No member of the board or of either such committee
9 shall, as such, be compensated.

10 "OFFICERS

11 "SEC. 13. At their first meeting after the annual meet-
12 ing of the members, the directors shall elect from their num-
13 ber a president, one or more vice presidents, a secretary, and
14 a treasurer, who shall be the executive officers of the cor-
15 poration. No executive officer, except the treasurer, shall
16 be compensated as such. The offices of secretary and treas-
17 urer may be held by the same person. The duties of the
18 officers shall be as determined by the bylaws, except that the
19 treasurer shall be the general manager of the corporation.
20 Before the treasurer shall enter upon his duties he shall give
21 bond with good and sufficient surety, in an amount and char-
22 acter to be determined by the board of directors in compli-
23 ance with regulations prescribed from time to time by the

1 Director, conditioned upon the faithful performance of his
2 trust.

3 "DIRECTORS

4 "SEC. 14. The board of directors shall meet at least
5 once a month and shall have the general direction and con-
6 trol of the affairs of the corporation. Minutes of all such
7 meetings shall be kept. Among other things they shall act
8 upon applications for membership directly or shall appoint
9 a membership chairman from the members, other than the
10 treasurer or assistant treasurer, who shall be authorized to act
11 upon such applications for membership as the board may
12 prescribe and who shall submit to the board at each monthly
13 meeting a list of applications for membership received since
14 the previous monthly meeting, together with such other
15 information as may be required by the bylaws or the board;
16 require any officer or employee having custody of or han-
17 dling funds to give bond with good and sufficient surety
18 in an amount and character to be determined by the board
19 of directors in compliance with regulations prescribed from
20 time to time by the Director, and authorize the payment
21 of the premium or premiums therefor from the funds of the
22 Federal credit union; fill vacancies in the board and in the
23 credit committee until successors elected at the next annual
24 meeting have qualified; have charge of investments other
25 than loans to members; determine from time to time the

1 maximum number of shares that may be held by an in-
2 dividual; subject to the limitations of this Act, determine
3 the interest rates on loans and the maximum amount which
4 may be loaned with or without security to any member;
5 and, subject to such regulations as may be issued by the
6 Director, authorize an interest refund to members of record
7 at the close of business on December 31 in proportion to
8 the interest paid by them during that year; and provide
9 for compensation of necessary clerical and auditing assist-
10 ance requested by the supervisory committee, and of loan
11 officers appointed by the credit committee.

12 "CREDIT COMMITTEE

13 "SEC. 15. The credit committee shall hold such meet-
14 ings as the business of the Federal credit union may require
15 and not less frequently than once a month to consider appli-
16 cations for loans. Reasonable notice of such meetings shall
17 be given to all members of the committee. No loan shall be
18 made unless it is approved by a majority of the committee
19 and by all members of the committee who are present at
20 the meeting at which the application is considered: *Pro-*
21 *vided, however,* That the credit committee may appoint one
22 or more loan officers, who may be the treasure or an assist-
23 ant treasure, and delegate to him or them powers to approve
24 loans up to the unsecured limit, or in excess of such limit
25 if such excess is fully secured by unpledged shares. Each

1 loan officer shall furnish to the credit committee a record
2 of each loan approved or not approved by him within 7 days
3 of the date of the filing of the application therefor. All
4 loans not approved by a loan officer shall be acted upon by
5 the credit committee. No loan officer, including the treas-
6 urer or assistant treasurer, shall have authority to disburse
7 funds of the Federal credit union for any loan which has
8 been approved by him. Not more than one member of the
9 credit committee may be appointed as a loan officer. Appli-
10 cations for loans shall be made on forms prepared by such
11 committee, which shall set forth the purpose for which the
12 loan is desired, the security, if any, and such other data as
13 may be required. No loan shall be made to any member,
14 except in the case of a loan by a Federal central credit union
15 to a member credit union, which causes such member to be-
16 come indebted to the Federal credit union in an aggregate
17 amount, upon loans made to such member, which is in ex-
18 cess of \$1,000 unless such excess over \$1,000 is adequately
19 secured, except that in no event may any such loan be made
20 if such aggregate amount would be in excess of whichever
21 of the following is greater:

- 22 “ (1) \$200, or
23 “ (2) 10 per centum of the credit union’s paid-in
24 unimpaired capital and surplus.

1 "For the purposes of this subdivision an assignment of
2 shares or the endorsement of a note shall be deemed security.

3 "SUPERVISORY COMMITTEE

4 "SEC. 16. The supervisory committee shall make, or
5 cause to be made, at least quarterly, an examination of the
6 affairs of the Federal credit union, including an audit of its
7 books; shall make, or cause to be made, a report of its
8 quarterly examination to the board of directors; shall make,
9 or cause to be made, an annual audit, a report of which
10 shall be submitted to the members at the next annual meet-
11 ing of the corporation; and may suspend by a unanimous
12 vote any officer of the corporation or any member of the
13 credit committee or of the board of directors, until the next
14 members' meeting, which members' meeting shall be held
15 within seven days of said suspension and at which meeting
16 said suspension shall be acted upon by the members; and,
17 by a majority vote, may call a special meeting of the share-
18 holders to consider any violation of this Act, the charter, or
19 of the bylaws, or any practice of the corporation deemed by
20 the supervisory committee to be unsafe or unauthorized.
21 Any and all members of the supervisory committee may be
22 suspended by the president, subject to the approval of the
23 board of directors, or by the board of directors, subject to

1 the approval of the members. In the latter case, a members'
2 meeting to act upon such suspension shall be held within
3 seven days thereof. The board of directors or the members,
4 as the case may be, shall decide whether the suspended
5 committee member shall be removed from or restored to
6 the supervisory committee. The supervisory committee shall
7 cause the passbooks and accounts of the members to be
8 verified with the records of the treasurer from time to time,
9 and not less frequently than once every two years. As used
10 in this section, the term 'passbook' shall include any book,
11 statement of account, or other record approved by the Di-
12 rector for use by Federal credit unions.

13 "RESERVES

14 "SEC. 17. All entrance fees and charges provided by the
15 bylaws and 20 per centum of the net earnings of each year,
16 before the declaration of any dividends, shall be set aside as
17 a regular reserve against losses on bad loans and such other
18 losses as may be specified in the bylaws in accordance with
19 regulations prescribed under this Act: *Provided, however,*
20 That when the regular reserve thus established shall equal 10
21 per centum of the total amount of members' shareholdings,
22 no further transfer of net earnings to such regular reserve
23 shall be required except that such amounts not in excess of
24 20 per centum of the net earnings as may be needed to main-
25 tain this 10 per centum ratio shall continue to be transferred.

1 In addition to such regular reserve, special reserves to pro-
2 tect the interests of members shall be established when
3 required (a) by regulation, or (b) in any special case, when
4 found by the Director to be necessary for that purpose.

5 "DIVIDENDS

6 "SEC. 18. Annually or semiannually, as the bylaws may
7 provide and after provision for the required reserves, the
8 board of directors may declare a dividend to be paid from
9 the remaining net earnings. Such dividend shall be paid on
10 all paid-up shares outstanding at the end of the period for
11 which the dividend is declared. Shares which become fully
12 paid up during such dividend period and are outstanding at
13 the close of the period shall be entitled to a proportional part
14 of such dividend. Dividend credit for a month may be
15 accrued on shares which are or become fully paid up during
16 the first five days of that month.

17 "EXPULSION AND WITHDRAWAL

18 "SEC. 19. A member may be expelled by a two-thirds
19 vote of the members of a Federal credit union present at a
20 special meeting called for the purpose, but only after an
21 opportunity has been given to him to be heard and subject
22 to review by the Director, if such review is requested by the
23 member within thirty days. Withdrawal or expulsion of a
24 member shall not operate to relieve him from liability to the
25 Federal credit union. The amount to be paid a withdrawing

1 or expelled member by a Federal credit union shall be de-
2 termined and paid in the manner specified in the bylaws.

3 "MINORS

4 "SEC. 20. Shares may be issued in the name of a minor
5 or in trust, subject to such conditions as may be prescribed
6 by the bylaws. When shares are issued in trust, the name
7 of the beneficiary shall be disclosed to the Federal credit
8 union.

9 "CERTAIN POWERS OF DIRECTOR

10 "SEC. 21. (a) The Director may prescribe rules and
11 regulations for the administration of this Act, including,
12 but not by way of limitation, the merger, consolidation,
13 and/or dissolution of corporations organized under this Act.

14 "(b) (1) The Director may suspend or revoke the
15 charter of any Federal credit union, or place the same in
16 involuntary liquidation and appoint a liquidating agent there-
17 for, upon his finding that the organization is bankrupt or
18 insolvent, or has violated any provisions of its charter, its
19 bylaws, this Act, or any regulations issued thereunder.

20 "(2) The Director, through such persons as he shall
21 designate, may examine any Federal credit union in volun-
22 tary liquidation and, upon his finding that such voluntary
23 liquidation is not being conducted in an orderly or efficient
24 manner or in the best interests of its members, may termi-
25 nate such voluntary liquidation and place such organization

1 in involuntary liquidation and appoint a liquidating agent
2 therefor.

3 “(3) Such liquidating agent shall have power and au-
4 thority, subject to the control and supervision of the Director
5 and under such rules and regulations as the Director may
6 prescribe, (i) to receive and take possession of the books,
7 records, assets, and property of every description of the
8 Federal credit union in liquidation, to sell, enforce collection
9 of, and liquidate all such assets and property, to compound
10 all bad or doubtful debts, and to sue in his own name or in
11 the name of the Federal credit union in liquidation, and
12 defend such actions as may be brought against him as
13 liquidating agent or against the Federal credit union; (ii)
14 to receive, examine, and pass upon all claims against the
15 Federal credit union in liquidation, including claims of mem-
16 bers on shares; (iii) to make distribution and payment to
17 creditors and members as their interests may appear; and
18 (iv) to execute such documents and papers and to do such
19 other acts and things which he may deem necessary or
20 desirable to discharge his duties hereunder.

21 “(4) Subject to the control and supervision of the
22 Director and under such rules and regulations as the Director
23 may prescribe, the liquidating agent of a Federal credit
24 union in involuntary liquidation shall (i) cause notice to

1 be given to creditors and members to present their claims
2 and make legal proof thereof, which notice shall be published
3 once a week in each of three successive weeks in a news-
4 paper of general circulation in each county in which the
5 Federal credit union in liquidation maintained an office or
6 branch for the transaction of business on the date it ceased
7 unrestricted operations: *Provided*, That whenever the aggre-
8 gate book value of the assets and property of a Federal
9 credit union in involuntary liquidation is less than \$1,000,
10 unless the Director shall find that its books and records do
11 not contain a true and accurate record of its liabilities, he
12 shall declare such Federal credit union in liquidation to be
13 a 'no publication' liquidation, and publication of notice to
14 creditors and members shall not be required in such case;
15 (ii) from time to time, make a ratable dividend on all such
16 claims as may have been proved to his satisfaction or adjudi-
17 cated in a court of competent jurisdiction and, after the
18 assets of such organization have been liquidated, shall make
19 further dividends on all claims previously proved or adjudi-
20 cated; and the liquidating agent may accept in lieu of a
21 formal proof of claim on behalf of any creditor or member
22 the statement of any amount due to such creditor or member
23 as shown on the books and records of the credit union:
24 *Provided further*, That all claims not filed before payment

1 of the final dividend shall be barred and claims rejected or
2 disallowed by the liquidating agent shall be likewise barred
3 unless suit be instituted thereon within three months after
4 notice of rejection or disallowance; (iii) in a 'no publication'
5 liquidation, determine from all sources available to him,
6 and within the limits of available funds of the Federal credit
7 union, the amounts due to creditors and members, and after
8 sixty days shall have elapsed from the date of his appoint-
9 ment, shall distribute the funds of the Federal credit union
10 to creditors and members ratably and as their interests may
11 appear.

12 “(5) Upon certification by the liquidating agent in the
13 case of an involuntary liquidation and upon such proof as
14 ~~shall~~ be satisfactory to the Director in the case of a volun-
15 tary liquidation that distribution has been made and that
16 liquidation has been completed, as provided herein, the
17 Director shall cancel the charter of such Federal credit
18 union: *Provided*, That the corporate existence of the Fed-
19 eral credit union shall continue for a period of three years
20 from the date of such cancellation of its charter, during which
21 period the liquidating agent, or his duly appointed successor,
22 or such persons as the Director shall designate, may act
23 on behalf of the Federal credit union for the purpose of
24 paying, satisfying, and discharging any existing liabilities

1 or obligations, collecting and distributing its assets, and doing
2 all other acts required to adjust and wind up its business
3 and affairs, and it may sue and be sued in its corporate name.

4 “(c) After the expiration of five years from the date
5 of cancellation of the charter of a Federal credit union the
6 Director may, in his discretion, destroy any or all books and
7 records of such Federal credit union in his possession or
8 under his control.

9 “(d) The Director is authorized and empowered to
10 execute any and all functions and perform any and all duties
11 vested in him hereby, through such persons as he shall desig-
12 nate or employ; and he may delegate to any person or per-
13 sons, including any institution operating under the general
14 supervision of the Bureau, the performance and discharge
15 of any authority, power, or function vested in him by this
16 Act.

17 “(e) All books and records of Federal credit unions
18 shall be kept and reports shall be made in accordance with
19 forms approved by the Director.

20 “(f) The Director is authorized to make investigations
21 and to conduct researches and studies of the problems of
22 persons of small means in obtaining credit at reasonable
23 rates of interest, and of the methods and benefits of co-

1 operative saving and lending among such persons. He is
2 further authorized to make reports of such investigations
3 and to publish and disseminate the same.

4 “(g) Any officer or employee of the Bureau is author-
5 ized, when designated for the purpose by the Director, to
6 administer oaths and affirmations and to take affidavits and
7 depositions touching upon any matter within the jurisdiction
8 of the Bureau.

9 “(h) The Director is authorized, empowered, and
10 directed to require that every person appointed or elected
11 by any Federal credit union to any position requiring the
12 receipt, payment, or custody of money or other personal
13 property owned by a Federal credit union or in its custody
14 or control as collateral or otherwise, to give bond in a
15 corporate surety company holding a certificate of authority
16 from the Secretary of the Treasury under the Act of Con-
17 gress approved July 30, 1947 (6 U.S.C. 6-13), as an
18 acceptable surety on Federal bonds. Any such bond or
19 bonds shall be in a form approved by the Director with a
20 view to providing surety coverage to the Federal credit
21 union with reference to loss by reason of acts of fraud or
22 dishonesty including forgery, theft, embezzlement, wrongful
23 abstraction, or misapplication on the part of the person,

1 directly or through connivance with others, and such other
2 surety coverages as the Director may determine to be
3 reasonably appropriate or as elsewhere required by this Act.
4 Any such bond or bonds shall be in such an amount in
5 relation to the money or other personal property involved
6 or in relation to the assets of the Federal credit union as the
7 Director may from time to time prescribe by regulation for
8 the purpose of requiring reasonable coverage. In lieu of
9 individual bonds the Director may approve the use of a
10 form of schedule or blanket bond which covers all of the
11 officers and employees of a Federal credit union whose
12 duties include the receipt, payment, or custody of money or
13 other personal property for or on behalf of the Federal credit
14 union. The Director may also approve the use of a form
15 of excess coverage bond whereby a Federal credit union
16 may obtain an amount of coverage in excess of the basic
17 surety coverage.

18 “(i) In every case of an adjudication by the Director
19 under this Act, determination shall be made on the record
20 after giving the opportunity for a hearing to all persons and
21 credit unions who may be directly affected by any order that
22 may be issued as a result of such adjudication. The words
23 ‘adjudication’ and ‘order’ as used herein shall have the
24 meanings specified in the Administrative Procedure Act.

1 “FISCAL AGENTS AND DEPOSITORIES

2 “SEC. 22. Each Federal credit union organized under this
3 Act, when requested by the Secretary of the Treasury, shall
4 act as fiscal agent of the United States and shall perform
5 such services as the Secretary of the Treasury may require in
6 connection with the collection of taxes and other obligations
7 due the United States and the lending, borrowing, and re-
8 payment of money by the United States, including the issue,
9 sale, redemption, or repurchase of bonds, notes, Treasury
10 certificates of indebtedness, or other obligations of the United
11 States; and to facilitate such purposes the Director shall fur-
12 nish to the Secretary of the Treasury from time to time the
13 names and addresses of all Federal credit unions with such
14 other available information concerning them as may be re-
15 quested by the Secretary of the Treasury. Any Federal
16 credit union organized under this Act, when designated for
17 that purpose by the Secretary of the Treasury shall be a de-
18 pository of public money, except receipts from customs,
19 under such regulations as may be prescribed by the Secre-
20 tary of the Treasury.

21 “TAXATION

22 “SEC. 23. The Federal credit unions organized here-
23 under, their property, their franchises, capital, reserves, sur-
24 pluses, and other funds, and their income shall be exempt

1 from all taxation now or hereafter imposed by the United
2 States or by any State, Territorial, or local taxing authority;
3 except that any real property and any tangible personal
4 property of such Federal credit unions shall be subject to
5 Federal, State, Territorial, and local taxation to the same
6 extent as other similar property is taxed. Nothing herein
7 contained shall prevent holdings in any Federal credit union
8 organized hereunder from being included in the valuation of
9 the personal property of the owners or holders thereof in
10 assessing taxes imposed by authority of the State or political
11 subdivision thereof in which the Federal credit union is
12 located: *Provided, however,* That the duty or burden of
13 collecting or enforcing the payment of such tax shall not
14 be imposed upon any such Federal credit union and the tax
15 shall not exceed the rate of taxes imposed upon holdings in
16 domestic credit unions.

17 “PARTIAL INVALIDITY; RIGHT TO AMEND

18 “SEC. 24. (a) If any provision of this Act, or the ap-
19 plication thereof to any person or circumstance, is held in-
20 valid, the remainder of the Act, and the application of such
21 provisions to other persons or circumstances, shall not be
22 affected thereby.

23 “(b) The right to alter, amend, or repeal this Act or
24 any part thereof, or any charter issued pursuant to the pro-
25 visions of this Act, is expressly reserved.

1 “SPACE IN FEDERAL BUILDINGS

2 “SEC. 25. Upon application by any credit union or-
3 ganized under State law or by any Federal credit union
4 organized in accordance with the terms of this Act, at least
5 95 per centum of the membership of which is composed of
6 persons who either are presently Federal employees or are
7 retired Federal employees and members of their families,
8 which application shall be addressed to the officer or agency
9 of the United States charged with the allotment of space in
10 the Federal buildings in the community or district in which
11 said credit union or Federal credit union does business, such
12 officer or agency may in his or its discretion allot space to
13 such credit union if space is available without charge for
14 rent or services.

15 “CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND
16 FROM STATE TO FEDERAL CREDIT UNION

17 “SEC. 26. (a) CONVERSION FROM FEDERAL TO STATE
18 CREDIT UNION.—A Federal credit union may be converted
19 into a ‘State credit union’ under the laws of any State, the
20 District of Columbia, the several Territories and the several
21 possessions of the United States, the Panama Canal Zone,
22 or the Commonwealth of Puerto Rico, by complying with
23 the following requirements:

24 “(1) The proposition for such conversion shall first be
25 approved by a majority of the directors of the Federal credit

1 union. The proposition then shall be submitted to a meeting
2 of its members, the notice of which shall be in writing and
3 shall be delivered in person to each member, or shall be
4 mailed to each member at the address for such member
5 appearing on the records of the credit union, not more than
6 thirty nor less than seven days prior to the time of the
7 meeting. Approval of the proposition for conversion shall be
8 by the affirmative vote of not less than two-thirds of the
9 members present and voting at the meeting.

10 “(2) A copy of the minutes of such meeting, verified
11 by the affidavits of the president or vice president and the
12 secretary of the meeting, shall be filed with the Bureau
13 within ten days after the meeting.

14 “(3) Promptly after the adjournment of such meeting
15 of the members, and in no event later than ninety days after
16 such meeting, the credit union shall take such action as
17 may be necessary under the applicable State law to make
18 it a State credit union, and within ten days after receipt of
19 the State credit union charter there shall be filed with the
20 Bureau a copy of the charter thus issued. Upon such filing
21 the credit union shall cease to be a Federal credit union.

22 “(4) Upon ceasing to be a Federal credit union, such
23 credit union shall no longer be subject to any of the pro-
24 visions of this Act. The successor State credit union shall
25 be vested with all of the assets and shall continue respon-

1 sible for all of the obligations of the Federal credit union
2 to the same extent as though the conversion had not taken
3 place.

4 “(b) CONVERSION FROM STATE TO FEDERAL CREDIT
5 UNION.—A ‘State credit union’, organized under the laws
6 of any State, the District of Columbia, the several Territories
7 and the several possessions of the United States, the Panama
8 Canal Zone, or the Commonwealth of Puerto Rico, may
9 be converted into a Federal credit union by: (1) Comply-
10 ing with all State requirements requisite to enabling it to
11 convert to a Federal credit union or to cease being a State
12 credit union; (2) filing with the Bureau proof of such
13 compliance, satisfactory to the Director; and (3) filing
14 with the Bureau an organization certificate as required by
15 this Act.

16 “When the Director has been satisfied that all of such
17 requirements have been complied with, the Director shall
18 approve the organization certificate. Upon such approval,
19 the State credit union shall become a Federal credit union
20 as of the date it ceases to be a State credit union. The Fed-
21 eral credit union shall be vested with all of the assets and
22 shall continue responsible for all the obligations of the
23 State credit union to the same extent as though the conver-
24 sion had not taken place.

1 "ROBBERY AND INCIDENTAL CRIMES AGAINST FEDERAL
2 CREDIT UNIONS

3 "SEC. 27. Section 2113 of title 18 of the United States
4 Code is hereby made applicable to robbery and other crimes
5 against Federal credit unions by amending subsection (g)
6 of said section by inserting before the period at the end
7 thereof ', and any "Federal credit union" as defined in sec-
8 tion 2 of the Federal Credit Union Act'.

9 "TERRITORIAL APPLICABILITY OF ACT

10 "SEC. 28. The provisions of this Act shall apply to the
11 several States, the District of Columbia, the several Terri-
12 tories and the several possessions of the United States, the
13 Panama Canal Zone, and the Commonwealth of Puerto
14 Rico."

86TH CONGRESS
1ST SESSION

H. R. 3674

A BILL

To amend the Federal Credit Union Act.

By Mr. MULLER

JANUARY 29, 1959

Referred to the Committee on Banking and Currency

S. 1786

IN THE SENATE OF THE UNITED STATES

APRIL 23, 1959

Mr. SPARKMAN introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To amend the Federal Credit Union Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) section 2 of the Federal Credit Union Act (12
4 U.S.C. 1752) is amended to read as follows:

5 “DEFINITIONS

6 “SEC. 2. As used in this Act—

7 “(1) The term ‘Federal credit union’ means a co-
8 operative association organized in accordance with the pro-
9 visions of this Act for the purpose of promoting thrift among
10 its members and creating a source of credit for provident
11 or productive purposes, and includes a cooperative associa-
12 tion (hereinafter called a ‘Federal central credit union’)

1 whose members are Federal credit unions and credit unions
2 organized in accordance with the provisions of law of any
3 State, the District of Columbia, the several Territories and
4 possessions of the United States, the Panama Canal Zone,
5 or the Commonwealth of Puerto Rico, and located within
6 a well-defined geographical area, and whose members may
7 also be directors and members of the supervisory and credit
8 committees of such credit unions;

9 “(2) The term ‘Bureau’ means the Bureau of Federal
10 Credit Unions;

11 “(3) The term ‘Director’ means the Director of the
12 Bureau of Federal Credit Unions.”

13 (b) The first sentence of section 3 of such Act (12
14 U.S.C. 1753) is amended by striking out “natural”.

15 (c) Section 7 (7) of such Act (12 U.S.C. 1757 (7))
16 is amended by striking out “or” after “(d)”, and by striking
17 out the final period and inserting in lieu thereof the follow-
18 ing: “; or (e) in shares of Federal central credit unions
19 and in shares or accounts of other central credit unions.
20 Payments to, and withdrawals from, such central credit
21 unions by a Federal credit union must be specifically author-
22 ized by the board of directors of such Federal credit union.”

23 (d) Section 9 of such Act (12 U.S.C. 1759) is
24 amended—

25 (1) by inserting after “except that” in the first

1 sentence the following: “, other than as provided in
2 section 2 (1) with respect to Federal central credit
3 unions,”; and

4 (2) by inserting immediately after the first sen-
5 tence the following new sentence: “A Federal credit
6 union may, by authorization of its board of directors,
7 become a subscriber to, or organizer or member of, a
8 Federal central credit union or other central credit
9 union.”

10 (e) Section 10 of such Act (12 U.S.C. 1760) is
11 amended by adding at the end thereof the following new
12 sentences: “Federal credit unions having membership in a
13 central credit union may be represented at annual or special
14 meetings of the central credit union by one member duly
15 authorized by the board of directors of the member Federal
16 credit union. To the extent permitted by the articles or
17 certificate of incorporation or bylaws of the central credit
18 union, such representative shall have one vote and shall be
19 eligible for office in the central credit union the same as
20 though he were a member as an individual of such credit
21 union.”

22 (f) The next to last sentence of section 11 (d) of such
23 Act (12 U.S.C. 1761 (d)) is amended by inserting “, except:
24 in the case of a loan by a Federal central credit union to a:

1 member credit union," after "No loan shall be made to any
2 member".

3 SEC. 2. Section 7 (5) of the Federal Credit Union Act
4 (12 U.S.C. 1757 (5)) is amended by striking out "matu-
5 rities not exceeding three years" and inserting in lieu thereof
6 "maturities not exceeding five years".

7 SEC. 3. (a) The proviso in the first sentence of section
8 7 (5) of the Federal Credit Union Act (12 U.S.C. 1757
9 (5)) is amended to read as follows: ": *Provided*, That no
10 loans to a director or member of the supervisory or credit
11 committee shall exceed the amount of his holdings in the
12 Federal credit union as represented by shares thereof plus
13 the total unencumbered and unpledged shareholdings in the
14 Federal credit union of any member pledged as security
15 for the obligation of such director or committee member".

16 (b) The second sentence of such section 7 (5) is
17 amended to read as follows: "No director or member of
18 the supervisory or credit committee shall endorse for
19 borrowers."

20 SEC. 4. Section 7 of the Federal Credit Union Act
21 (12 U.S.C. 1757) is further amended by redesignating
22 paragraph (12) as paragraph (13), and by adding after
23 paragraph (11) the following new paragraph:

24 "(12) To charge members and individuals eligible to
25 become members a reasonable fee for cashing or selling

1 checks, not to exceed the direct and indirect costs incident to
2 providing such service.”

3 SEC. 5. (a) Section 11 (a) (except the heading) of the
4 Federal Credit Union Act (12 U.S.C. 1761 (a)) is
5 amended to read as follows:

6 “(a) The business affairs of a Federal credit union shall
7 be managed by a board of not less than five directors, and
8 a credit committee of not less than three members, all to be
9 elected at the annual members’ meeting by and from the
10 members (which, in the case of Federal central credit unions,
11 shall be deemed to include the duly authorized representa-
12 tives of the member credit unions), and by a supervisory
13 committee of three members, one of whom may be a direc-
14 tor other than the treasurer, to be appointed by the president
15 from the membership promptly following the annual meet-
16 ing, subject to ratification by the board at its next meeting.
17 If the board fails to ratify the appointment of any member
18 of the supervisory committee, the term of such member shall
19 thereupon cease, and the president shall immediately appoint
20 a replacement, subject to ratification by the board at its next
21 succeeding meeting. Any vacancy occurring in the super-
22 visory committee shall be filled in the same manner as orig-
23 inal appointments to such committee. All members of the
24 board and of such committees shall hold office for such terms,
25 respectively, as the bylaws may provide. A record of the

1 names and addresses of the members of the board and such
2 committees and officers shall be filed with the Bureau within
3 ten days after their election or appointment. No member of
4 the board or of either such committee shall, as such, be
5 compensated."

6 (b) Section 11 (e) of such Act (12 U.S.C. 1761 (e))
7 is amended by striking out the second sentence and insert-
8 ing in lieu thereof the following: "Any and all members
9 of the supervisory committee may be suspended by the
10 president subject to the approval of the board of directors,
11 or by the board of directors subject to the approval of the
12 members. In the latter case, a members' meeting to act
13 upon such suspension shall be held within seven days thereof.
14 The board of directors or the members, as the case may be,
15 shall decide whether the suspended committee member shall
16 be removed from or restored to the supervisory committee."

17 SEC. 6. Section 11 (b) of the Federal Credit Union
18 Act (12 U.S.C. 1761 (b)) is amended by striking out the
19 first two sentences and inserting in lieu thereof the follow-
20 ing: "At their first meeting after the annual meeting of the
21 members, the directors shall elect from their number a presi-
22 dent, one or more vice presidents, a secretary, and a treas-
23 urer, who shall be the executive officers of the corporation.
24 No executive officer, except the treasurer, shall be com-

1 compensated as such. The offices of secretary and treasurer may
2 be held by the same person.”

3 SEC. 7. (a) Section 11 (c) of the Federal Credit Union
4 Act (12 U.S.C. 1761 (c)) is amended by striking out “they
5 shall act upon applications for membership” and inserting in
6 lieu thereof the following: “they shall act upon applications
7 for membership directly or shall appoint from among the
8 members of the credit union (other than the treasurer or
9 an assistant treasurer) a membership chairman who shall
10 be authorized to act upon such applications for membership
11 as the board may prescribe and who shall submit to the
12 board at each monthly meeting a list of applications for
13 membership received since the previous monthly meeting,
14 together with such other information as may be required
15 by the bylaws or the board”.

16 (b) Section 11 (c) of such Act is further amended by
17 striking out “and, subject” and inserting in lieu thereof
18 “subject”, and by inserting before the period at the end
19 thereof the following: “; and provide for compensation of
20 necessary clerical and auditing assistance requested by the
21 supervisory committee, and of loan officers appointed by the
22 credit committee”.

23 SEC. 8. (a) Section 11 (d) of the Federal Credit Union
24 Act (12 U.S.C. 1761 (d)) is amended by striking out the
25 second sentence and inserting in lieu thereof the following:

1 “No loan shall be made unless approved by a majority
2 of the entire committee and by all members of the com-
3 mittee who are present at the meeting at which the applica-
4 tion is considered: *Provided*, That the credit committee
5 may appoint one or more loan officers, and delegate to him
6 or them powers to approve loans up to the unsecured limit
7 or in excess of such limit if such excess is fully secured by
8 unpledged shares. Each loan officer shall furnish to the
9 credit committee a record of each loan approved or not
10 approved by him within seven days of the date of the filing
11 of the application therefor. All loans not approved by a loan
12 officer shall be acted upon by the credit committee. No loan
13 officer, including the treasurer or any assistant treasurer,
14 shall have authority to disburse funds of the Federal credit
15 union for any loan which has been approved by him. Not
16 more than one member of the credit committee may be
17 appointed as a loan officer.”

18 (b) The first sentence of section 7 (5) of such Act (12
19 U.S.C. 1757 (5)) is amended by striking out “as the credit
20 committee may approve” and inserting in lieu thereof “as
21 the credit committee or a loan officer may approve”.

22 SEC. 9. The next to last sentence of section 11 (d) of
23 the Federal Credit Union Act (12 U.S.C. 1761 (d)) is
24 amended by striking out “\$400” each place it appears and
25 inserting in lieu thereof “\$1,000”.

1 SEC. 10. (a) Section 13 of the Federal Credit Union
2 Act (12 U.S.C. 1763) is amended to read as follows:

3 "DIVIDENDS

4 "SEC. 13. Annually, or semiannually, as the bylaws
5 may provide, and after provision for the required reserves,
6 the board of directors may declare a dividend to be paid
7 from the remaining net earnings. Such dividend shall be
8 paid on all paid-up shares outstanding at the end of the
9 period for which the dividend is declared. Shares which
10 become fully paid up during such dividend period and are
11 outstanding at the close of the period shall be entitled to a
12 proportional part of such dividend. Dividend credit for a
13 month may be accrued on shares which are or become fully
14 paid up during the first five days of that month."

15 (b) Section 11 (c) of such Act (12 U.S.C. 1761 (c))
16 is amended by striking out "recommend the declaration of
17 dividends;".

18 SEC. 11. Section 16 of the Federal Credit Union Act
19 (12 U.S.C. 1766) is amended by adding at the end thereof
20 the following new subsection:

21 "(h) In every case of an adjudication by the Director
22 under this Act, determination shall be made on the record
23 after giving the opportunity for a hearing to all persons and
24 credit unions who may be directly affected by any order
25 that may be issued as a result of such adjudication. The

1 words 'adjudication' and 'order' as used herein shall have
2 the meanings specified in the Administrative Procedure
3 Act."

4 SEC. 12. Section 21 of the Federal Credit Union Act
5 (12 U.S.C. 1771) is amended by striking out "the member-
6 ship of which is composed exclusively of Federal employees
7 and members of their families" and inserting in lieu thereof
8 "at least 95 per centum of the membership of which is
9 composed of persons who either are presently Federal em-
10 ployees or are retired Federal employees and members of
11 their families".

12 SEC. 13. Section 22 of the Federal Credit Union Act
13 (12 U.S.C. 1772) is amended to read as follows:

14 "TERRITORIAL APPLICABILITY OF ACT

15 "SEC. 22. The provisions of this Act shall apply to the
16 several States, the District of Columbia, the several Terri-
17 tories and possessions of the United States, the Panama
18 Canal Zone, and the Commonwealth of Puerto Rico."

19 SEC. 14. The Federal Credit Union Act is further
20 amended by adding at the end thereof the following new
21 section:

22 "CONVERSION FROM FEDERAL TO STATE CREDIT UNION
23 AND FROM STATE TO FEDERAL CREDIT UNION

24 "SEC. 23. (a) CONVERSION FROM FEDERAL TO
25 STATE CREDIT UNION.—A Federal credit union may be

1 converted into a 'State credit union' under the laws of any
2 State, the District of Columbia, the several Territories and
3 possessions of the United States, the Panama Canal Zone,
4 or the Commonwealth of Puerto Rico, by complying with
5 the following requirements:

6 “(1) The proposition for such conversion shall first be
7 approved by a majority of the directors of the Federal
8 credit union. The proposition then shall be submitted to a
9 meeting of its members, the notice of which shall be in
10 writing and shall be delivered in person to each member,
11 or shall be mailed to each member at the address for such
12 member appearing on the records of the credit union, not
13 more than thirty nor less than seven days prior to the time
14 of the meeting. Approval of the proposition for conversion
15 shall be by the affirmative vote of not less than two-thirds
16 of the members present and voting at the meeting.

17 “(2) A copy of the minutes of such meeting, verified
18 by the affidavits of the president or vice president and the
19 secretary of the meeting, shall be filed with the Bureau
20 within ten days after the meeting.

21 “(3) Promptly after the adjournment of such meeting
22 of the members, and in no event later than ninety days after
23 such meeting, the credit union shall take such action as
24 may be necessary under the applicable State law to make it
25 a State credit union, and within ten days after receipt of

1 the State credit union charter there shall be filed with the
2 Bureau a copy of the charter thus issued. Upon such filing
3 the credit union shall cease to be a Federal credit union.

4 “(4) Upon ceasing to be a Federal credit union, such
5 credit union shall no longer be subject to any of the provi-
6 sions of this Act. The successor State credit union shall be
7 vested with all of the assets and shall continue responsible
8 for all of the obligations of the Federal credit union to the
9 same extent as though the conversion had not taken place.

10 “(b) CONVERSION FROM STATE TO FEDERAL CREDIT
11 UNION.—A ‘State credit union’ organized under the laws of
12 any State, the District of Columbia, the several Territories
13 and possessions of the United States, the Panama Canal
14 Zone, or the Commonwealth of Puerto Rico, may be con-
15 verted into a Federal credit union by: (1) complying with
16 all State requirements requisite to enabling it to convert
17 to a Federal credit union or to cease being a State credit
18 union; (2) filing with the Bureau proof of such compli-
19 ance, satisfactory to the Director; and (3) filing with the
20 Bureau an organization certificate as required by this Act.

21 “When the Director has been satisfied that all of such
22 requirements have been complied with, the Director shall
23 approve the organization certificate. Upon such approval,
24 the State credit union shall become a Federal credit union
25 as of the date it ceases to be a State credit union. The

1 Federal credit union shall be vested with all of the assets
2 and shall continue responsible for all the obligations of the
3 State credit union to the same extent as though the con-
4 version had not taken place.”

5 SEC. 15. Section 2113 (g) of title 18 of the United
6 States Code is amended by inserting before the period at
7 the end thereof “, and any ‘Federal credit union’ as defined
8 in section 2 of the Federal Credit Union Act”.

A BILL

To amend the Federal Credit Union Act.

By Mr. SPARKMAN

APRIL 23, 1959

Read twice and referred to the Committee on
Banking and Currency

provide for the comprehensive operation of hydroelectric power resources of the United States.

The bill is in two sections. The first section provides for a number of changes in the Federal Power Act. It looks to coordinated operation of federally owned hydroelectric facilities with like facilities owned by public or private interests. Section 2 repeals subsection (f) of section 10 of the Federal Power Act as well as other acts or parts of acts which may be in conflict with the bill.

I hope that the committee to which the bill is referred will hold hearings at which all of the ramifications of the measure will be clearly brought out so that the country may know what is involved in this legislation. Doubtless amendments will be suggested that will further clarify the situation.

I ask unanimous consent to have printed in the RECORD the text of the bill, and a section-by-section analysis, prepared by me.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill and section-by-section analysis will be printed in the RECORD.

The bill (S. 1782) to provide for the comprehensive operation of hydroelectric power resources of the United States, and for other purposes, introduced by Mr. MURRAY, was received, read twice by its title, referred to the Committee on Interstate and Foreign Commerce, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That the following new section be added to the Federal Power Act:

"Sec. 31. (a) Whenever any hydroelectric facility owned by the Federal Government or by non-Federal interests is or will be benefited as a result of the construction, operation, or maintenance of any water-control facility, the parties owning or operating any of such Federal or non-Federal facilities may enter into an agreement or agreements, which shall be subject to approval by the Commission, for the coordinated operation of such facilities through regulation of reservoir releases, and the transfer, exchange, or sale of energy to provide power benefits at each party's power developments within the coordinated operation. All such agreements shall satisfy and discharge any and all obligations, as to the parties to such agreements, which would otherwise apply pursuant to the terms of subsection (b) of this section.

"(b) Whenever the owner or operator of any water-control facility owned by the Federal Government or by any non-Federal interest has assured the owner or owners of any hydroelectric facility or facilities owned by the Federal Government or any non-Federal interest that it will reasonably coordinate the operation of its facility so as to produce the optimum amount of firm energy for itself and all downstream owners of hydroelectric facilities, the Commission, after notice to the Federal or non-Federal agencies operating all such facilities, and after opportunity for hearing, shall determine and fix a reasonable and equitable annual charge which shall be paid to the owner of such water-control facility and which payment may, by agreement of the affected owners, be paid in power, energy, money, or in some of each; such annual charge to be apportioned among all parties in proportion to the additional amount of firm energy that each hydroelectric facility, at site of the water-control facility and downstream from the water-control facility can produce as a result of coordinated operation, including storage releases; firm energy as used in this section means the amount of energy a hydroelectric facility is capable of producing with the full release of the stored water and such coordination of operations, assuming streamflows of a river basin equivalent to those experienced in the historical period of streamflows producing the minimum amount of energy: *Provided*, That in the event the Commission shall determine that, under operating conditions in a particular river basin, the use of hydroelectric facilities is primarily for peaking service, or for producing energy other than firm energy, then the Commission shall, in lieu of coordinated operation, after notice and opportunity for hearing, in the light of all the circumstances, including all benefits furnished by any facility to any other facility, whether upstream or downstream, determine and fix a reasonable and equitable annual charge to be paid to the owner of each facility furnishing such benefit by the owner of each facility receiving such benefits: *And provided further*, That in no case shall the resultant charge to any facility exceed the value of the benefits realized by such facility. In determining such annual charge, the Commission shall include, among other things, such part of the fixed annual costs of the facility furnishing the benefit, and of the annual operating and maintenance cost of such facility (including land rentals and similar charges) as the Commission may deem equitable, and where applicable, the Commission shall consider any costs incurred by the owners of the water-control facility and of downstream facilities for energy required to maintain firm energy: *Provided*, That the annual charges provided for in this subsection (b) shall not apply with respect to such of the affected owners as have entered into and are parties to a valid and subsisting agreement or agreements, subject to the provisions of subsection (a) of this section, for the coordinated operation of their respective facilities, reservoirs, or other water-control facilities referred to in this subsection.

"(c) The owner or operator of a water control facility will be considered to have assured the owner or owners of a hydroelectric facility or facilities that it will reasonably coordinate the operations of its facility within the meaning of subsection (b) of this section if such owner or operator files with the Commission at any time after the effective date of this Act a commitment commencing at the beginning of the following drawdown period of the water control facility involved and extending for a period of not less than five years to operate such facility on a coordinated basis in accordance with subsection (b); and on the filing of such commitment the provisions of this section shall become binding upon all interested parties, as of the date of such filing unless the Commission shall, within six months after the date of such filing, after notice and opportunity for hearing, disapprove the proposed coordination; provided further that such commitment may be extended for successive periods of one year by written notice filed with the Commission at least two years prior to the date on which it would otherwise expire.

"(d) In the event that an operator of a water control facility so operates as part of a coordination operation under subsection (b) of this section in such a manner as to result in a detriment to the owner of a hydroelectric facility, the Commission, after notice and opportunity for hearing, shall allow to the owner of the hydroelectric fa-

cility suffering the detriment such offset charges assessed under subsection (b) of this section as the Commission shall determine to be equitable, which offset shall be charged against the operator of the water control facility and such charge shall be included in the annual charge to be paid to the owner of the water control facility by the owners of all hydroelectric facilities in the coordinated operation. In the event the operator of a water control facility not operating as part of a coordination agreement or plan under subsections (a) or (b) of this section so operates as to unlawfully interfere with the natural flow of the river or to interfere with the storage releases of a water control facility upstream which have been released in accordance with a coordination agreement or coordinated plan pursuant to subsection (a) or (b) of this section and such interference results in a detriment to the owner of a downstream hydroelectric facility, the Commission, after notice and opportunity for hearing, shall determine and fix a reasonable and equitable charge which shall be paid to the owner of such hydroelectric facility by the owner of the water control facility creating the detriment.

"(e) Annual charges under subsections (b) and (d) of this section may be readjusted by the Commission, on its own motion or the motion of any interested person or organization and after notice and opportunity for hearing, at any time that changed conditions may so warrant.

"(f) All charges collected for the benefits provided by any facility owned by the United States shall constitute revenues of the facility providing the benefit and such revenues shall be disposed of in accordance with any provisions of law applicable thereto.

"(g) All parties affected by any determination under subsection (b) or (d) of this section (except any agency of the United States) shall bear a reasonable share of the cost to the Commission of making the determination, and all such parties shall pay their share of such cost, as fixed by the Commission, into the Treasury of the United States for credit to miscellaneous receipts: *Provided*, That in fixing the reasonable share of the cost each party is required to pay by this subsection (g), the Commission shall apportion the total cost among all parties, including Federal agencies affected, notwithstanding the fact that no payment into the Treasury is required to be made by such Federal agencies.

"(h) Appropriations or other funds available for operation of the facility concerned shall be available to pay the annual or other charges or costs that may be assessed against or payable by the United States, or any agency thereof, pursuant to the provisions of this section.

"(i) No party receiving a notice under subsection (b) or (d) of this section shall be required to pay annual charges under this section for benefits received prior to the effective date of this section or be required to pay annual charges under this section for benefits received more than 5 years prior to the date on which the Commission gives notice to such party as provided in subsection (b) or (d) hereof; nor shall any party receiving a notice under subsection (b) or (d) of this section be required to pay to any non-Federal interest annual charges under this section if it is paying or is required to pay similar charges under State law."

SEC. 2. Subsection (f) of section 10 of the Federal Power Act (16 U.S.C. sec. 803(f)) and all other acts or parts of acts in conflict with the provisions of this act are hereby repealed and the following subsections of said section 10 are redesignated accordingly: *Provided, however*, That nothing contained in this act shall in any manner affect any

right or obligation which vested or accrued prior to the effective date of this act.

The section-by-section analysis presented by Mr. MURRAY is as follows:

SECTION-BY-SECTION ANALYSIS OF S. 1782

For clarity the changes are presented by Federal Power Act section designations.

SECTION 1 OF THE BILL

Section 31(a) authorizes voluntary agreements between various owners of water control facilities and hydroelectric facilities when there is a benefit that is, or may be, gained by operating such various facilities in a coordinated manner. The Federal Government as well as any other owners of such facilities are authorized to negotiate such operating agreements. All such agreements are subject to approval by the Federal Power Commission.

The subsection authorizes such agreements to regulate reservoir releases and transfer, exchange, or sell energy among the parties for the benefit of each party. The execution and approval of such agreements would excuse the parties from any other obligation to pay for headwater benefits as required by later sections of the bill. Such agreements are purely voluntary and no one can be bound unless they agree to the terms of the contract. Such an agreement would not excuse the obligation to make any payment called for under the present section 10(f) of the Federal Power Act up to the effective date of the bill.

(b) This subsection establishes the procedure to be followed only in the event that voluntary agreements as authorized by subsection (a) cannot be negotiated. Federal and non-Federal projects are subject to its terms.

An owner or operator of a water control facility (typically, a reservoir) may declare his intention to operate his reservoir in such a manner as to provide the optimum amount of firm energy for the group composed of himself and all downstream hydroelectric facilities. The procedure for declaring such intention is set out later in the bill and such reservoir owner is required to file a plan for such method of operation. If the operating plan is found to be reasonable, then each downstream beneficiary becomes obligated to pay his equitable portion for the benefits conferred by such reservoir. If such reservoir owner does not submit a reasonable operating plan or does not submit any plan at all to operate for the mutual benefit of the whole group, then such reservoir owner is not entitled to any payment at all for headwater benefits.

Once a plan for coordinated operation is found to be reasonable the Commission will determine a reasonable and equitable annual charge which will be paid to the reservoir owner and will also apportion such charge among all beneficiaries in proportion to the additional amount of firm energy that each beneficiary can produce as a result of the coordinated operation. The amount of such annual charge to be paid by a particular beneficiary is further limited to the value of the benefits realized by such facility. Thus the total amount to be paid to any reservoir owner is limited to an equitable portion of the fixed costs and operating costs of the reservoir, and the amount that will be paid by a particular beneficiary is limited by the value of the benefits he receives. All determinations to be made by the Commission will be made after notice and opportunity for hearing.

The subsection sets forth, without limitation, some of the costs an equitable portion of which will be included in computing the annual charge to be paid to reservoir owners. The costs are the fixed annual costs of the reservoir, the annual operating and maintenance costs of the reservoir (including land rentals and similar charges)

and costs incurred by reservoir owners and downstream owners for energy which they require to maintain the firm energy level allowed by the coordination plan.

A proviso in the subsection establishes rules for the payment of headwater benefits in the event that hydroelectric facilities in a particular river basin are used primarily for peaking service or secondary energy rather than for the production of firm energy. Under such conditions, coordinated operation will not be a condition precedent to payment for headwater benefits; on the contrary, an equitable charge will be assessed, based on whatever benefits are conferred.

Taking this proviso together with the rest of the subsection, it means as follows: If coordinated operation can reasonably produce additional firm energy, then a reservoir owner must operate his reservoir in coordination with downstream plants in order to qualify himself to receive any payment for headwater benefits. If the physical circumstances in an area indicate that the hydroelectric facilities are used primarily for a purpose other than the production of firm energy, then the reservoir owner is entitled to equitable payments for headwater benefits without the necessity of coordinating his operation with those below him.

The subsection defines "firm energy" as that term is used in the bill. The subsection provides that payments required by the bill may, by agreement of the affected owners, be paid in power, energy, money, or in any combination of those media.

(c) This subsection sets forth the procedure for establishing a coordination plan under subsection (b) if negotiations for a voluntary agreement under subsection (a) have failed. In order to qualify himself for any payment under subsection (b), a reservoir owner or operator must file a commitment to operate his storage facility on a coordinated basis with all facilities downstream from him. The commitment must be filed with the Commission prior to the commencement of the storage control period of the water control facility involved and it must commit the reservoir owner to so operate for a period of not less than 5 years. Anyone affected by the coordinated commitment may object to such a commitment. Affected parties will be entitled to argue, among other things, that the area does not lend itself to coordination for firm power production and is thus within the first proviso of subsection (b) or that the coordination plan to which the reservoir owner seeks to commit himself, is unreasonable in one or more particulars.

If the Commission does not disapprove the proposed coordination within 6 months after the date of filing the commitment, the reservoir owner will have satisfied the requirement for assurance to downstream owners as set forth in subsection (b). The reservoir owner will thus have qualified himself to receive payments for headwater benefits and will have obligated himself to operate on a coordinated basis in order to produce the optimum amount of firm energy that can be produced by the group composed of the reservoir owner and all downstream owners.

(d) This subsection is composed of two separate matters, each described in a sentence. The first sentences relates to a situation where the owner of a facility is a party to, and bound by, a coordination plan under subsection (b). If such a facility is operated in a manner which results in a detriment to any other facility within the coordination plan, then the Commission shall allow to the injured owner, an equitable offset against the charges assessed to him under subsection (b) and the Commission shall include such offset in computing the annual charge to be paid to the reservoir owner and apportioned among downstream parties.

The second sentence of the subsection relates to a water control facility which is not part of a coordination agreement or plan

under subsection (a) or (b). If such an owner operates his facility so as unlawfully to interfere with the natural flow of the river or to interfere with storage releases which have been released from upstream in accordance with a coordination agreement or plan and if such interference results in a detriment to a downstream facility, the Commission, after notice and opportunity for hearing, will fix a reasonable and equitable charge to be paid to the injured party by the owner creating the injury. This portion of subsection (d) allows the Commission to determine and assess damages caused by interference with coordinated operation or with natural stream flow.

(e) This subsection provides that charges which are established by the Commission may be readjusted by the Commission on its own motion or the motion of any interested party at any time that changed conditions so warrant. Notice and opportunity for hearing are required for any such readjustment.

(f) Subsection (f) provides that sums collected by the United States under this bill will be revenues of the facility providing the benefit and be disposed of in accordance with all applicable provisions of law.

(g) This subsection states that all affected parties shall pay their reasonable share of the Commission's costs in making its determinations and that a reasonable portion of such costs will be allocated to the United States if it be an affected party although no cash need be paid by agencies of the United States.

(h) Subsection (h) provides that appropriations or other funds which are available for the operation of any affected Federal facility shall be available to pay such costs or charges as may be assessed against the United States.

(i) This subsection states that no party will be required to pay annual charges under section 31 of the bill for benefits received prior to the effective date of the section. Also, no one would be required to pay such charges under section 31 for benefits received more than 5 years prior to the date on which the Commission gives notice to a party under subsections (b) or (d). Thus, the provisions of section 31 do not operate retroactively. On the other hand, the Commission and reservoir owners are encouraged to proceed as fast as possible in making the necessary determinations under the bill because assessments will be limited to the period of not more than 5 years prior to the time that the Commission institutes its proceeding.

This subsection also provides that a party is excused from paying annual charges to any non-Federal interest if they are already required to pay similar charges under State law. This provision is intended to prevent double assessments against owners, particularly in Wisconsin, who are already subjected to charges for improvements maintained by the State.

SECTION 2

Section 2 of the bill repeals subsection (f) of section 10 of the Federal Power Act and includes a general repealer of other acts or parts of acts which may be in conflict with the bill. However, the section also provides that nothing in the bill shall excuse or otherwise affect any obligation which may have accrued under section 10(f) or in any other manner prior to the effective date of the new law. Any obligation which, as of the effective date of the new law, has been assessed or is awaiting computation and assessment under prior law remains collectible.

AMENDMENT OF FEDERAL CREDIT UNION ACT

Mr. SPARKMAN. Mr. President, I introduce for appropriate reference, a

bill to amend the Federal Credit Union Act.

This bill includes a number of changes which have been recommended by those interested in the credit union movement. I ask unanimous consent that a summary of these proposed changes be printed in the RECORD.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the summary will be printed in the RECORD.

The bill (S.1786) to amend the Federal Credit Union Act, introduced by Mr. SPARKMAN, was received, read twice by its title, and referred to the Committee on Banking and Currency.

The summary presented by Mr. SPARKMAN is as follows:

SUMMARY OF CHANGES PROPOSED IN FEDERAL CREDIT UNION ACT

This bill would:

1. Provide for the chartering of Federal central credit unions with a field of membership of Federal and State chartered credit unions, and directors and committee members of such credit unions within a well-defined geographical area.
2. Increase loan maturity limit from 3 to 5 years.
3. Increase signature loan limit from \$400 to \$1,000.
4. Permit appointment by the credit committee of one or more loan officers to approve loans up to the unsecured limit, or in excess of such limit if the excess is fully secured by unpledged shares.
5. Permit loans to directors and committee members up to the amount of their shareholdings in the credit union plus the total unencumbered and unpledged shareholdings in the credit union of any member pledged as security for the obligation of such director or committee member.
6. Permit investment by Federal credit unions in the shares of central credit unions.
7. Permit the charging of a reasonable fee for the cashing or selling of checks.
8. Provide for appointment of the supervisory committee by the president, one of whom may be a director other than the treasurer; such appointment subject to ratification by the board.
9. Provide for one or more vice presidents.
10. Change position called "clerk" to that of "secretary."
11. Prohibit compensation to any director, committee member or officer other than the treasurer for services rendered as such.
12. Permit appointment by the board of a membership chairman to act upon applications for membership within limitations prescribed by the board.
13. Authorize board to compensate necessary clerical and auditing assistance (requested by the supervisory committee) and loan officers (appointed by the credit committee).
14. Provide for declaration of dividends by the board of directors.
15. Permit annual or semiannual dividends as the bylaws of each credit union may provide.
16. Provide for review of an expulsion of a credit union member (if requested by such member) by the Director of the Bureau of Federal Credit Unions.¹
17. Permit dividend credit for a month on shares which are or become fully paid up during the first 5 days of that month.
18. Permit allocation of space in Federal buildings to credit unions having a membership composed at least 95 percent of per-

sons who are either presently Federal employees or are retired employees and members of their families.

19. Expand act to apply to the several States, the District of Columbia, the several Territories and the several possessions of the United States, the Panama Canal Zone and the Commonwealth of Puerto Rico.

20. Include provision for conversion from Federal to State charter and vice versa.

21. Include Bureau of Federal Credit Unions under provisions of Administrative Procedure Act.

22. Make robbery of a Federal credit union a crime under Federal statute.

23. Modify various sections of the act for the purposes of modernization and clarification, without making substantive changes.¹

WORLD PEACE THROUGH WORLD LAW

Mr. CLARK. Mr. President, I ask unanimous consent that I may be permitted to proceed for not more than 5 minutes.

The ACTING PRESIDENT pro tempore. Is there objection? The Chair hears none, and the Senator from Pennsylvania may proceed.

Mr. CLARK. Mr. President, on behalf of Senators HUMPHREY, CARROLL, CHURCH, JAVITS, KEFAUVER, KENNEDY, McGEE, MORSE, MOSS, NEUBERGER, PROXMIRE, SYMINGTON, GRUENING, and myself, I submit for appropriate referral, a concurrent resolution providing for the strengthening of the United Nations to promote world peace through world law.

Identical concurrent resolutions are being submitted in the House of Representatives today by Representative CHARLES O. PORTER, of Oregon, and a substantial number of Members of the other body who share my concern, and that of my colleagues who are cosponsoring this concurrent resolution, with the problem of advancing the cause of world peace through world law before the delicate balance of terror is shattered and we find ourselves embarked on world war III and the destruction of Western civilization.

It has been clear for some time that more vigorous efforts should be made by our Government and, indeed, by all the governments of the free Western World and of the uncommitted world as well, to making a start towards substituting world law for the present reliance on armed force which endangers world peace. This movement has been supported in part, at least, in a recent address by the Vice President of the United States. It also has received the support of the American Bar Association and of many other civic organizations.

I suggest, Mr. President, that the Congress should urge the executive arm of our Government to move forward at a high level with steps intended to put the United States firmly on record in support of world peace through world law. It is clear that pious resolutions will not do the job. The practical way to advance this cause is through appropriate changes in the United Nations Charter.

The United States supported a resolution approved by the United Nations in 1955 calling for a "general conference to review the charter at an appropriate time." A U.N. Committee on Arrange-

ments will meet in the summer of 1959 to determine whether to recommend to the fall session of the U.N. General Assembly that a charter review conference be convened.

I have been informed that the former leadership in the State Department was giving no special consideration to the substantive issues of charter review and was planning to take a position against the calling of a review conference at the coming meeting on the U.N. Committee on Arrangements.

This matter has already been held in abeyance for too long without constructive action. We must not let pass the opportunity presented by the meeting of the U.N. Committee to be held this summer to bring about a start toward the development of a system of world law.

The purpose of the concurrent resolution is to express the sense of the Congress that the U.S. position in the forthcoming meeting of the Committee on Arrangements for a conference for the purpose of reviewing the charter should be that the Committee recommends to the next session of the U.N. General Assembly that a charter review conference be held within 1 year following the action of the Assembly on the recommendation of the Committee. The concurrent resolution further requests the President to initiate high level studies in the executive branch of the Government to determine what changes should be made in the Charter of the United Nations and the charters of other international organizations to which the United States is a party, to promote a just and lasting peace through the development of enforceable world law.

Mr. President, I feel confident this is a field in which Congress can and should take the initiative. I am hopeful that the new leadership in the State Department will look with favor on this move. For that reason I submit the concurrent resolution to which I have referred; and I now ask unanimous consent to have the concurrent resolution lie on the desk for a period of 1 week in order that other Members of the Senate who are in accord with our position may have an opportunity to join as cosponsors.

The ACTING PRESIDENT pro tempore. The concurrent resolution will be received and appropriately referred; and, without objection, the resolution will lie on the table 1 week, as requested by the Senator from Pennsylvania.

The concurrent resolution (S. Con. Res. 25), submitted by Mr. CLARK (for himself and other Senators), was referred to the Committee on Foreign Relations, as follows:

Whereas the basic purpose of the foreign policy of the United States is to achieve a just and lasting peace; and

Whereas there can be no such peace without the development of enforceable world law; and

Whereas peace does not rest on law today but on the delicate balance of terror of armed force; and

Whereas the United Nations and other international organizations constitute an important influence for peace and need to be strengthened to achieve the rule of law in international relations; and

¹ Not included in H.R. 5777 and identical bills.

Whereas the United Nations General Assembly at its tenth session resolved that "a general conference to review the Charter shall be held at an appropriate time"; and appointed a "committee consisting of all the members of the United Nations to consider, in consultation with the Secretary General, the question of fixing a time and place for the conference, and its organization and procedures;" and

Whereas the United Nations General Assembly at its twelfth session resolved "to keep in being the Committee on Arrangements for a conference for the purpose of reviewing the Charter, * * * and to request the Committee to report, with recommendations, to the General Assembly not later than at its fourteenth session;" and

Whereas the said Committee is scheduled to meet in the summer of 1959 in advance of the fourteenth session of the General Assembly to be convened in New York in September of 1959: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That it is the sense of the Congress that the United States position at the forthcoming meeting of the Committee on Arrangements for a conference for the purpose of reviewing the Charter, should be that the Committee recommends to the fourteenth session of the United Nations General Assembly that a charter review conference be held within 1 year following the action of the Assembly on the recommendation of the Committee.

Sec. 2. The President is hereby requested to initiate high-level studies in the executive branch of the Government to determine what changes should be made in the Charter of the United Nations, and the charters of other international organizations to which the United States is a party, to promote a just and lasting peace through the development of enforceable world law. The President is further requested to report to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives, within 6 months after the date of approval of this resolution, the results of such studies.

LABOR-MANAGEMENT REPORTING AND DISCLOSURE ACT OF 1959—AMENDMENT

Mr. MCCARTHY submitted an amendment, intended to be proposed by him, to the bill (S. 1555) to provide for the reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employers, to prevent abuses in the administration of trusteeships by labor organizations, to provide standards with respect to the election of officers of labor organizations, and for other purposes, which was ordered to lie on the table and to be printed.

PARTICIPATION IN STRASBOURG CONFERENCE—REFERENCE OF CONCURRENT RESOLUTION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that Calendar No 196, Senate Concurrent Resolution 23, authorizing participation in the Strasbourg Conference, be referred to the Committee on Rules and Administration for consideration. This request is made with the knowledge of the chairman of the Foreign Relations Committee and in accordance with the advice rendered by the parliamentarian.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE APPENDIX

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the Appendix, as follows:

By Mr. CLARK:

Address delivered by Senator SYMINGTON before Democratic City Committee of Philadelphia, Pa., on April 21, 1959.

By Mr. BYRD of West Virginia:

Address delivered by Senator YARBOROUGH at the Texas Classroom Teachers Association annual convention banquet, Dallas, Tex., April 18, 1959.

By Mr. TALMADGE:

Statement by Gov. Ernest Vandiver, of Georgia, on April 16, 1959, before a subcommittee of the House Committee on the Judiciary in opposition to pending civil rights proposals.

By Mr. WILEY:

Release from the Department of State dated April 22, 1959, with regard to the Berlin Medical Center.

An open letter to the Congress of the United States, by the editors of Roads and Streets.

By Mr. KEATING:

Editorial entitled "Letter to Those Going Abroad," published in the Genesee Valley newspapers of recent date.

By Mr. ENGLE:

Editorial, an article from the Sacramento Bee of April 11 and April 15, 1959, relating to the Bonneville power intertie hearings.

By Mr. MINDT:

Editorial entitled "The Blight of Inflation," published in the Washington Daily News of April 21, 1959.

By Mr. WILLIAMS of New Jersey:

Editorial entitled "Mr. Kean a Good Choice," published in the Asbury Park, N.J., Evening Press of April 21, 1959.

By Mr. SPARKMAN:

Article entitled "Ike Stands Firm in Nationwide Speech," written by J. Ronald Scruggs, and published in the March 21, 1959, issue of the Guardian, a publication of the Second Battle Group, Sixth Infantry, relating to President Eisenhower's speech of March 16, 1959, dealing with the Berlin crisis.

By Mr. JAVITS:

Report on Small Business Administration courses in management.

By Mr. SCOTT:

Letter from the Committee for Collective Security, dated April 9, 1959, relating to participation by delegates of the Hungarian puppet regime in the deliberations of the United Nations General Assembly.

By Mr. McNAMARA:

An analysis of the provisions in Senator McCLELLAN's amendment, prepared by the AFL-CIO legislative department.

By Mr. NEUBERGER:

Editorial entitled "Our Surpluses Are From Dry Land," published in the Oregon Daily Journal of April 20, 1959.

NOTICE OF HEARING ON NOMINATIONS OF LEWIS W. DOUGLAS AND MARK A. MAY TO BE MEMBERS OF U.S. ADVISORY COMMISSION ON INFORMATION

Mr. FULBRIGHT. Mr. President, as chairman of the Committee on Foreign Relations, I desire to announce that the Senate today received the nominations of Lewis W. Douglas, of Arizona, and Mark A. May, of Connecticut, both reappointments, to be members of the U.S. Advisory Commission on Informa-

tion for terms expiring January 27, 1962, and until their successors have been appointed and qualified.

In accordance with the committee rule, the pending nominations may not be considered prior to the expiration of 6 days.

BRISTOL BAY (ALASKA) RED SALMON INDUSTRY

Mr. BARTLETT. Mr. President, the people of Alaska are gravely concerned, as the people of the entire Nation should be, with the threatened extinction of the Bristol Bay red salmon fishery. This has been the greatest red salmon fishery in the world. It has provided food for many; employment for thousands; and millions of dollars have been invested.

In 1952 we entered into a treaty with Canada and Japan. Under the terms of that treaty, Japan agreed not to fish for salmon east of a designated line. So far as can be determined, the Japanese have faithfully adhered to the treaty provisions in that respect.

Little was known then about the migrating habits of these salmon, but the considered judgment of American fishery scientists was that very few Alaska-spawned salmon would be found west of the treaty line. This proved to be an erroneous judgment of the first magnitude. Year after year since then, according to the best evidence available, the Japanese have been taking millions of salmon which were spawned in Alaska streams entering Bristol Bay. Many of these fish were immature.

The Japanese use nets which are strung out for miles. These nets, being of much finer mesh than Americans are permitted to use in their shore-based fishery, catch fish of all sizes. Americans are not permitted to fish for salmon on the high seas. The result of all this has been a steadily diminishing pack of salmon in Bristol Bay. This has dealt a blow to investment capital.

More importantly, it has put fishermen and cannery workers out of employment. Virtually the entire population of Bristol Bay is dependent for their livelihood upon fishing operations of one kind or another. Three times in recent years President Eisenhower has been forced to declare Bristol Bay a disaster area.

The treaty contains provisions for redesignating the fishing boundary. But unanimity is required to make any change, and the Japanese have refused to agree to this urgently needed revision.

Now Secretary of the Interior Seaton has stated that, in the interests of conservation, he will be required to close Bristol Bay to commercial fishing in 1959. Perhaps even today Secretary Seaton will announce the regulations closing the bay to all American fishing.

The effect of this will be devastating. Thousands of Alaskans will be thrown out of work, and will have no other work to turn to. And other American citizens who customarily have gone to Bristol Bay from other States for the fishing season will likewise be denied employment.

Inevitably, conservation measures of this type will fail. All they will insure is

86TH CONGRESS
1ST SESSION

S. 1985

IN THE SENATE OF THE UNITED STATES

MAY 19, 1959

Mr. McCARTHY introduced the following bill; which was read twice and referred
to the Committee on Banking and Currency

A BILL

To amend the Federal Credit Union Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Federal Credit Union Act (48 Stat. 1216), as
4 amended, is amended to read as follows:

5 “SHORT TITLE

6 “SECTION 1. This Act may be cited as the ‘Federal
7 Credit Union Act’.

8 “DEFINITIONS

9 “SEC. 2. As used in this Act—

10 “(a) The term ‘Federal credit union’ means a coopera-
11 tive association organized in accordance with the provisions

1 of this Act for the purpose of promoting thrift among its
2 members and creating a source of credit for provident or
3 productive purposes, and includes a cooperative association
4 (hereinafter called a 'Federal central credit union') whose
5 members are Federal credit unions and credit unions organ-
6 ized in accordance with the provisions of law of any State,
7 the District of Columbia, the several Territories and the
8 several possessions of the United States, the Panama Canal
9 Zone, or the Commonwealth of Puerto Rico, and located
10 within a well-defined geographical area, and whose mem-
11 bers may also be directors and members of the supervisory
12 and credit committees of such credit unions.

13 “(b) The term 'Bureau' means the Bureau of Federal
14 Credit Unions.

15 “(c) The term 'Director' means the Director of the
16 Bureau of Federal Credit Unions.

17 “CREATION OF BUREAU

18 “SEC. 3. There shall be in the Department of Health,
19 Education, and Welfare a Bureau of Federal Credit Unions,
20 which shall be under the supervision of a Director appointed
21 by the Secretary of Health, Education, and Welfare. The
22 Bureau of Federal Credit Unions and the Director shall be
23 under the general direction and supervision of the Secretary.

1 “FEDERAL CREDIT UNION ORGANIZATION

2 “SEC. 4. Any seven or more persons who desire to form
3 a Federal credit union shall subscribe before some officer
4 competent to administer oaths an organization certificate in
5 duplicate which shall specifically state,—

6 “(1) the name of the association;

7 “(2) the location of the proposed Federal credit
8 union and the territory in which it will operate;

9 “(3) the names and addresses of the subscribers to
10 the certificate and the number of shares subscribed by
11 each;

12 “(4) the par value of the shares, which shall be \$5
13 each;

14 “(5) the proposed field of membership, specified in
15 detail;

16 “(6) the term of the existence of the corporation,
17 which may be perpetual; and

18 “(7) the fact that the certificate is made to enable
19 such persons to avail themselves of the advantages of
20 this Act.

21 “Such organization certificate may also contain any pro-
22 visions approved by the Director for the management of the
23 business of the association and for the conduct of its affairs

1 and relative to the powers of its directors, officers, or stock-
2 holders.

3 "APPROVAL OF ORGANIZATION CERTIFICATE

4 "SEC. 5. The organization certificate shall be presented
5 to the Director for approval. Before any organization cer-
6 tificate is approved, an appropriate investigation shall be
7 made for the purpose of determining (1) whether the or-
8 ganization certificate conforms to the provisions of this Act;
9 (2) the general character and fitness of the subscribers
10 thereto; and (3) the economic advisability of establishing
11 the proposed Federal credit union. Upon approval of such
12 organization certificate by the Director, it shall be the char-
13 ter of the corporation, and one of the originals thereof shall
14 be delivered to the corporation after the payment of the fee
15 required therefor. Upon such approval the Federal credit
16 union shall be a body corporate, and as such, subject to the
17 limitations herein contained, shall be vested with all of the
18 powers and charged with all the liabilities conferred and
19 imposed by this Act upon corporations organized hereunder.

20 "FEES

21 "SEC. 6. For the purpose of paying the costs incident
22 to the ascertainment of whether an organization certificate
23 should be approved, the subscribers to any such certificate
24 shall pay, at the time of filing their organization certificate,
25 the amount prescribed by the Director, which shall not

1 exceed \$20 in any case; and on the approval of any
 2 organization certificate they shall also pay a fee of \$5. Not
 3 later than January 31 of each calendar year, each Federal
 4 credit union shall pay to the Bureau, for the preceding
 5 calendar year, a supervision fee in accordance with a grad-
 6 uated scale prescribed by regulation on the basis of assets
 7 as of December 31 of such preceding year, but such fee
 8 shall in no event be less than \$10 nor more than the amounts
 9 specified in the following table: *Provided, however, That*
 10 no such annual fee shall be payable by a Federal credit
 11 union with respect to the year in which its charter is issued,
 12 or in which final distribution is made in its liquidation or the
 13 charter is otherwise canceled. All such fees shall be de-
 14 posited with the Treasurer of the United States for the
 15 account of the Bureau and may be expended by the Director
 16 for such administrative, supervisory and other expenses
 17 incurred in carrying out the provisions of this Act as he
 18 may determine to be proper, the purpose of such fees being
 19 to defray such expenses as far as practicable.

"Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000---	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000--	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000--	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

1 "REPORTS, EXAMINATIONS, AND AUDITS

2 "SEC. 7. Federal credit unions shall be under the
3 supervision of the Director, and shall make such financial
4 reports to him as and when he may require, but at least
5 annually. Each Federal credit union shall be subject to
6 examination by, and for this purpose shall make its books
7 and records accessible to, any person designated by the
8 Director. The Director shall fix a scale of examination
9 fees to be paid by Federal credit unions, giving due con-
10 sideration to the time and expense incident to such examina-
11 tions, and to the ability of Federal credit unions to pay
12 such fees, which fees shall be assessed against and paid by
13 each Federal credit union promptly after the completion of
14 such examination. Examination fees collected under the
15 provisions of this section shall be deposited to the credit
16 of the special fund created by section 6 hereof, and shall be
17 available for the purpose specified in said section 6.

18 "POWERS

19 "SEC. 8. A Federal credit union shall have succession
20 in its corporate name during its existence and shall have
21 power—

22 "(1) to make contracts;

23 "(2) to sue and be sued;

24 "(3) to adopt and use a common seal and alter
25 the same at pleasure;

1 “(4) to purchase, hold, and dispose of property
2 necessary or incidental to its operations;

3 “(5) to make loans with maturities not exceeding
4 five years to its members for provident or productive
5 purposes upon such terms and conditions as this Act
6 and its bylaws provide and as the credit committee or
7 a loan officer may approve, at rates of interest not ex-
8 ceeding 1 per centum per month on unpaid balances,
9 inclusive of all charges incident to making the loan:

10 *Provided*, That no loans to a director or member of
11 the supervisory or credit committee shall exceed the
12 amount of his holdings in the Federal credit union as
13 represented by shares thereof plus the total unencum-
14 bered and unpledged shareholdings in the Federal credit
15 union of any member pledged as security for the obli-
16 gation of such director or member of committee. No
17 director or member of the supervisory or credit com-
18 mittee shall endorse for borrowers. A borrower may
19 repay his loan, prior to maturity, in whole or in part
20 on any business day. The taking, receiving, reserving,
21 or charging of a rate of interest greater than is allowed
22 by this paragraph, when knowingly done, shall be
23 deemed a forfeiture of the entire interest which the
24 note, bill, or other evidence of debt carries with it, or
25 which has been agreed to be paid thereon. If such

1 greater rate of interest has been paid, the person by
2 whom it has been paid, or his legal representatives,
3 may recover back from the credit union taking or re-
4 ceiving the same, in an action in the nature of an action
5 of debt, the entire amount of interest paid: *Provided,*
6 That such action is commenced within two years from
7 the time the usurious collection was made';

8 “(6) to receive from its members payments on
9 shares;

10 “(7) to invest its funds (a) in loans exclusively
11 to members; (b) in obligations of the United States of
12 America, or securities fully guaranteed as to principal
13 and interest thereby; (c) in accordance with rules and
14 regulations prescribed by the Director, in loans to other
15 credit unions in the total amount not exceeding 25 per
16 centum of its paid-in and unimpaired capital and sur-
17 plus; (d) in shares or accounts of savings and loan asso-
18 ciations, the accounts of which are insured by the Fed-
19 eral Savings and Loan Insurance Corporation; or (e)
20 in shares of Federal central credit unions and in shares
21 or accounts of other central credit unions, as defined in
22 section 2, paragraph (a) of this Act. Payments to, and
23 withdrawals from, such central credit unions by a Fed-

1 eral credit union must be specifically authorized by the
2 board of directors of such Federal credit union ;

3 “(8) to make deposits in national banks and in
4 State banks, trust companies, and mutual savings banks
5 operating in accordance with the laws of the State in
6 which the Federal credit union does business ;

7 “(9) to borrow, in accordance with such rules and
8 regulations as may be prescribed by the Director, from
9 any source, in an aggregate amount not exceeding 50
10 per centum of its paid-in and unimpaired capital and
11 surplus: *Provided*, That any Federal credit union may
12 discount with or sell to any Federal intermediate credit
13 bank any eligible obligations up to the amount of its
14 paid-in and unimpaired capital ;

15 “(10) to levy late charges, in accordance with the
16 bylaws, for failure to meet promptly their obligations
17 to the Federal credit union ;

18 “(11) to impress and enforce a lien upon the shares
19 and dividends of any member, to the extent of any loan
20 made to him and any dues or fines payable by him ;

21 “(12) to charge members and individuals eligible
22 to become members a reasonable fee for cashing or sell-

1 ing checks, not to exceed the direct and indirect costs
2 incident to providing such service;

3 “(13) to exercise such incidental powers as shall
4 be necessary or requisite to enable it to carry on
5 effectively the business for which it is incorporated.

6 “BYLAWS

7 “SEC. 9. In order to simplify the organization of Fed-
8 eral credit unions the Director shall from time to time cause
9 to be prepared a form of organization certificate and a form
10 of bylaws, consistent with this Act, which shall be used by
11 Federal credit union incorporators, and shall be supplied to
12 them on request. At the time of presenting the organization
13 certificate the incorporators shall also submit proposed by-
14 laws to the Director for his approval.

15 “MEMBERSHIP

16 “SEC. 10. Federal credit union membership shall con-
17 sist of the incorporators and such other persons and incor-
18 porated and unincorporated organizations, to the extent
19 permitted by rules and regulations prescribed by the Di-
20 rector, as may be elected to membership and as such shall,
21 each, subscribe to at least one share of its stock and pay the
22 initial installment thereon and the entrance fee; except that
23 other than as provided in section 2, paragraph (a) of this
24 Act as to Federal central credit unions, Federal credit union
25 membership shall be limited to groups having a common

1 bond of occupation or association, or to groups within a
2 well-defined neighborhood, community, or rural district.
3 A Federal credit union may, by authorization of its board
4 of directors, become a subscriber to, or organizer or member
5 of, a Federal central credit union or a central credit union
6 as defined in section 2, paragraph (a) of this Act. Shares
7 may be issued in joint tenancy with right of survivorship
8 with any person designated by the credit union member, but
9 no joint tenant shall be permitted to vote, obtain loans, or
10 hold office, unless he is within the field of membership and
11 is a qualified member.

12 "MEMBERS' MEETINGS

13 "SEC. 11. The fiscal year of all Federal credit unions
14 shall end December 31. The annual meeting of each Fed-
15 eral credit union shall be held at such time during the month
16 of the following January and at such place as its bylaws shall
17 prescribe. Special meetings may be held in the manner
18 indicated in the bylaws. No member shall be entitled to
19 vote by proxy but a member other than a natural person
20 may vote through an agent designated for the purpose. Ir-
21 respective of the number of shares held by him, no member
22 shall have more than one vote. Federal credit unions hav-
23 ing membership in a central credit union may be represented
24 at annual or special meetings of the central credit union by
25 one member duly authorized by the board of directors of the

1 member Federal credit union. To the extent permitted by
2 the articles or certificate of incorporation or bylaws of the
3 central credit union, such representative shall have one vote
4 and shall be eligible for office in the central credit union the
5 same as though he were a member as an individual of such
6 central credit union.

7 "MANAGEMENT

8 "SEC. 12. The business affairs of a Federal credit union
9 shall be managed by a board of not less than five directors,
10 and a credit committee of not less than three members, all
11 to be elected at the annual members' meeting by and from
12 the members which, in the case of Federal central credit
13 unions, shall be deemed to include the duly authorized
14 representatives of the member credit unions, and by a
15 supervisory committee of three members, one of whom may
16 be a director other than the treasurer, to be appointed by
17 the president from the membership promptly following the
18 annual meeting, subject to ratification by the board at its
19 next meeting. If the board fails to ratify the appointment
20 of any member of the supervisory committee, the term of
21 such member shall thereupon cease, and the president shall
22 immediately appoint a replacement, subject to ratification
23 by the board at its next succeeding meeting. Any vacancy

1 occurring in the supervisory committee shall be filled in the
2 same manner as original appointments to said committee.
3 All members of the board and of such committees shall hold
4 office for such terms, respectively, as the bylaws may provide.
5 A record of the names and addresses of the members of the
6 board and such committees and officers shall be filed with
7 the Bureau within ten days after their election or appoint-
8 ment. No member of the board or of either such committee
9 shall, as such, be compensated.

10 "OFFICERS

11 "SEC. 13. At their first meeting after the annual meet-
12 ing of the members, the directors shall elect from their num-
13 ber a president, one or more vice presidents, a secretary, and
14 a treasurer, who shall be the executive officers of the cor-
15 poration. No executive officer, except the treasurer, shall
16 be compensated as such. The offices of secretary and treas-
17 urer may be held by the same person. The duties of the
18 officers shall be as determined by the bylaws, except that the
19 treasurer shall be the general manager of the corporation.
20 Before the treasurer shall enter upon his duties he shall give
21 bond with good and sufficient surety, in an amount and char-
22 acter to be determined by the board of directors in compli-
23 ance with regulations prescribed from time to time by the

1 Director, conditioned upon the faithful performance of his
2 trust.

3 "DIRECTORS

4 "SEC. 14. The board of directors shall meet at least
5 once a month and shall have the general direction and con-
6 trol of the affairs of the corporation. Minutes of all such
7 meetings shall be kept. Among other things they shall act
8 upon applications for membership directly or shall appoint
9 a membership chairman from the members, other than the
10 treasurer or assistant treasurer, who shall be authorized to act
11 upon such applications for membership as the board may
12 prescribe and who shall submit to the board at each monthly
13 meeting a list of applications for membership received since
14 the previous monthly meeting, together with such other
15 information as may be required by the bylaws or the board;
16 require any officer or employee having custody of or han-
17 dling funds to give bond with good and sufficient surety
18 in an amount and character to be determined by the board
19 of directors in compliance with regulations prescribed from
20 time to time by the Director, and authorize the payment
21 of the premium or premiums therefor from the funds of the
22 Federal credit union; fill vacancies in the board and in the
23 credit committee until successors elected at the next annual
24 meeting have qualified; have charge of investments other
25 than loans to members; determine from time to time the

1 maximum number of shares that may be held by an in-
2 dividual; subject to the limitations of this Act, determine
3 the interest rates on loans and the maximum amount which
4 may be loaned with or without security to any member;
5 and, subject to such regulations as may be issued by the
6 Director, authorize an interest refund to members of record
7 at the close of business on December 31 in proportion to
8 the interest paid by them during that year; and provide
9 for compensation of necessary clerical and auditing assist-
10 ance requested by the supervisory committee, and of loan
11 officers appointed by the credit committee.

12 "CREDIT COMMITTEE

13 "SEC. 15. The credit committee shall hold such meet-
14 ings as the business of the Federal credit union may require
15 and not less frequently than once a month to consider appli-
16 cations for loans. Reasonable notice of such meetings shall
17 be given to all members of the committee. No loan shall be
18 made unless it is approved by a majority of the committee
19 and by all members of the committee who are present at
20 the meeting at which the application is considered: *Pro-*
21 *vided, however,* That the credit committee may appoint one
22 or more loan officers, who may be the treasure or an assist-
23 ant treasure, and delegate to him or them powers to approve
24 loans up to the unsecured limit, or in excess of such limit
25 if such excess is fully secured by unpledged shares. Each

1 loan officer shall furnish to the credit committee a record
2 of each loan approved or not approved by him within 7 days
3 of the date of the filing of the application therefor. All
4 loans not approved by a loan officer shall be acted upon by
5 the credit committee. No loan officer, including the treas-
6 urer or assistant treasurer, shall have authority to disburse
7 funds of the Federal credit union for any loan which has
8 been approved by him. Not more than one member of the
9 credit committee may be appointed as a loan officer. Appli-
10 cations for loans shall be made on forms prepared by such
11 committee, which shall set forth the purpose for which the
12 loan is desired, the security, if any, and such other data as
13 may be required. No loan shall be made to any member,
14 except in the case of a loan by a Federal central credit union
15 to a member credit union, which causes such member to be-
16 come indebted to the Federal credit union in an aggregate
17 amount, upon loans made to such member, which is in ex-
18 cess of \$1,000 unless such excess over \$1,000 is adequately
19 secured, except that in no event may any such loan be made
20 if such aggregate amount would be in excess of whichever
21 of the following is greater:

22 “ (1) \$200, or

23 “ (2) 10 per centum of the credit union's paid-in
24 unimpaired capital and surplus.

1 “For the purposes of this subdivision an assignment of
2 shares or the endorsement of a note shall be deemed security.

3 “SUPERVISORY COMMITTEE

4 “SEC. 16. The supervisory committee shall make, or
5 cause to be made, at least quarterly, an examination of the
6 affairs of the Federal credit union, including an audit of its
7 books; shall make, or cause to be made, a report of its
8 quarterly examination to the board of directors; shall make,
9 or cause to be made, an annual audit, a report of which
10 shall be submitted to the members at the next annual meet-
11 ing of the corporation; and may suspend by a unanimous
12 vote any officer of the corporation or any member of the
13 credit committee or of the board of directors, until the next
14 members' meeting, which members' meeting shall be held
15 within seven days of said suspension and at which meeting
16 said suspension shall be acted upon by the members; and,
17 by a majority vote, may call a special meeting of the share-
18 holders to consider any violation of this Act, the charter, or
19 of the bylaws, or any practice of the corporation deemed by
20 the supervisory committee to be unsafe or unauthorized.
21 Any and all members of the supervisory committee may be
22 suspended by the president, subject to the approval of the
23 board of directors, or by the board of directors, subject to

1 the approval of the members. In the latter case, a members'
2 meeting to act upon such suspension shall be held within
3 seven days thereof. The board of directors or the members,
4 as the case may be, shall decide whether the suspended
5 committee member shall be removed from or restored to
6 the supervisory committee. The supervisory committee shall
7 cause the passbooks and accounts of the members to be
8 verified with the records of the treasurer from time to time,
9 and not less frequently than once every two years. As used
10 in this section, the term 'passbook' shall include any book,
11 statement of account, or other record approved by the Di-
12 rector for use by Federal credit unions.

13 "RESERVES

14 "SEC. 17. All entrance fees and charges provided by the
15 bylaws and 20 per centum of the net earnings of each year,
16 before the declaration of any dividends, shall be set aside as
17 a regular reserve against losses on bad loans and such other
18 losses as may be specified in the bylaws in accordance with
19 regulations prescribed under this Act: *Provided, however,*
20 That when the regular reserve thus established shall equal 10
21 per centum of the total amount of members' shareholdings,
22 no further transfer of net earnings to such regular reserve
23 shall be required except that such amounts not in excess of
24 20 per centum of the net earnings as may be needed to main-
25 tain this 10 per centum ratio shall continue to be transferred.

1 In addition to such regular reserve, special reserves to pro-
2 tect the interests of members shall be established when
3 required (a) by regulation, or (b) in any special case, when
4 found by the Director to be necessary for that purpose.

5 "DIVIDENDS

6 "SEC. 18. Annually or semiannually, as the bylaws may
7 provide and after provision for the required reserves, the
8 board of directors may declare a dividend to be paid from
9 the remaining net earnings. Such dividend shall be paid on
10 all paid-up shares outstanding at the end of the period for
11 which the dividend is declared. Shares which become fully
12 paid up during such dividend period and are outstanding at
13 the close of the period shall be entitled to a proportional part
14 of such dividend. Dividend credit for a month may be
15 accrued on shares which are or become fully paid up during
16 the first five days of that month.

17 "EXPULSION AND WITHDRAWAL

18 "SEC. 19. A member may be expelled by a two-thirds
19 vote of the members of a Federal credit union present at a
20 special meeting called for the purpose, but only after an
21 opportunity has been given to him to be heard and subject
22 to review by the Director, if such review is requested by the
23 member within thirty days. Withdrawal or expulsion of a
24 member shall not operate to relieve him from liability to the
25 Federal credit union. The amount to be paid a withdrawing

1 or expelled member by a Federal credit union shall be de-
2 termined and paid in the manner specified in the bylaws.

3 "MINORS

4 "SEC. 20. Shares may be issued in the name of a minor
5 or in trust, subject to such conditions as may be prescribed
6 by the bylaws. When shares are issued in trust, the name
7 of the beneficiary shall be disclosed to the Federal credit
8 union.

9 "CERTAIN POWERS OF DIRECTOR

10 "SEC. 21. (a) The Director may prescribe rules and
11 regulations for the administration of this Act, including,
12 but not by way of limitation, the merger, consolidation,
13 and/or dissolution of corporations organized under this Act.

14 "(b) (1) The Director may suspend or revoke the
15 charter of any Federal credit union, or place the same in
16 involuntary liquidation and appoint a liquidating agent there-
17 for, upon his finding that the organization is bankrupt or
18 insolvent, or has violated any provisions of its charter, its
19 bylaws, this Act, or any regulations issued thereunder.

20 "(2) The Director, through such persons as he shall
21 designate, may examine any Federal credit union in volun-
22 tary liquidation and, upon his finding that such voluntary
23 liquidation is not being conducted in an orderly or efficient
24 manner or in the best interests of its members, may termi-
25 nate such voluntary liquidation and place such organization

1 in involuntary liquidation and appoint a liquidating agent
2 therefor.

3 “(3) Such liquidating agent shall have power and au-
4 thority, subject to the control and supervision of the Director
5 and under such rules and regulations as the Director may
6 prescribe, (i) to receive and take possession of the books,
7 records, assets, and property of every description of the
8 Federal credit union in liquidation, to sell, enforce collection
9 of, and liquidate all such assets and property, to compound
10 all bad or doubtful debts, and to sue in his own name or in
11 the name of the Federal credit union in liquidation, and
12 defend such actions as may be brought against him as
13 liquidating agent or against the Federal credit union; (ii)
14 to receive, examine, and pass upon all claims against the
15 Federal credit union in liquidation, including claims of mem-
16 bers on shares; (iii) to make distribution and payment to
17 creditors and members as their interests may appear; and
18 (iv) to execute such documents and papers and to do such
19 other acts and things which he may deem necessary or
20 desirable to discharge his duties hereunder.

21 “(4) Subject to the control and supervision of the
22 Director and under such rules and regulations as the Director
23 may prescribe, the liquidating agent of a Federal credit
24 union in involuntary liquidation shall (i) cause notice to

1 be given to creditors and members to present their claims
2 and make legal proof thereof, which notice shall be published
3 once a week in each of three successive weeks in a news-
4 paper of general circulation in each county in which the
5 Federal credit union in liquidation maintained an office or
6 branch for the transaction of business on the date it ceased
7 unrestricted operations: *Provided*, That whenever the aggre-
8 gate book value of the assets and property of a Federal
9 credit union in involuntary liquidation is less than \$1,000,
10 unless the Director shall find that its books and records do
11 not contain a true and accurate record of its liabilities, he
12 shall declare such Federal credit union in liquidation to be
13 a 'no publication' liquidation, and publication of notice to
14 creditors and members shall not be required in such case;
15 (ii) from time to time, make a ratable dividend on all such
16 claims as may have been proved to his satisfaction or adjudi-
17 cated in a court of competent jurisdiction and, after the
18 assets of such organization have been liquidated, shall make
19 further dividends on all claims previously proved or adjudi-
20 cated; and the liquidating agent may accept in lieu of a
21 formal proof of claim on behalf of any creditor or member
22 the statement of any amount due to such creditor or member
23 as shown on the books and records of the credit union:
24 *Provided further*, That all claims not filed before payment

1 of the final dividend shall be barred and claims rejected or
2 disallowed by the liquidating agent shall be likewise barred
3 unless suit be instituted thereon within three months after
4 notice of rejection or disallowance; (iii) in a 'no publication'
5 liquidation, determine from all sources available to him,
6 and within the limits of available funds of the Federal credit
7 union, the amounts due to creditors and members, and after
8 sixty days shall have elapsed from the date of his appoint-
9 ment, shall distribute the funds of the Federal credit union
10 to creditors and members ratably and as their interests may
11 appear.

12 “(5) Upon certification by the liquidating agent in the
13 case of an involuntary liquidation and upon such proof as
14 shall be satisfactory to the Director in the case of a volun-
15 tary liquidation that distribution has been made and that
16 liquidation has been completed, as provided herein, the
17 Director shall cancel the charter of such Federal credit
18 union: *Provided*, That the corporate existence of the Fed-
19 eral credit union shall continue for a period of three years
20 from the date of such cancellation of its charter, during which
21 period the liquidating agent, or his duly appointed successor,
22 or such persons as the Director shall designate, may act
23 on behalf of the Federal credit union for the purpose of
24 paying, satisfying, and discharging any existing liabilities

1 or obligations, collecting and distributing its assets, and doing
2 all other acts required to adjust and wind up its business
3 and affairs, and it may sue and be sued in its corporate name.

4 “(c) After the expiration of five years from the date
5 of cancellation of the charter of a Federal credit union the
6 Director may, in his discretion, destroy any or all books and
7 records of such Federal credit union in his possession or
8 under his control.

9 “(d) The Director is authorized and empowered to
10 execute any and all functions and perform any and all duties
11 vested in him hereby, through such persons as he shall desig-
12 nate or employ; and he may delegate to any person or per-
13 sons, including any institution operating under the general
14 supervision of the Bureau, the performance and discharge
15 of any authority, power, or function vested in him by this
16 Act.

17 “(e) All books and records of Federal credit unions
18 shall be kept and reports shall be made in accordance with
19 forms approved by the Director.

20 “(f) The Director is authorized to make investigations
21 and to conduct researches and studies of the problems of
22 persons of small means in obtaining credit at reasonable
23 rates of interest, and of the methods and benefits of co-

1 operative saving and lending among such persons. He is
2 further authorized to make reports of such investigations
3 and to publish and disseminate the same.

4 “(g) Any officer or employee of the Bureau is author-
5 ized, when designated for the purpose by the Director, to
6 administer oaths and affirmations and to take affidavits and
7 depositions touching upon any matter within the jurisdiction
8 of the Bureau.

9 “(h) The Director is authorized, empowered, and
10 directed to require that every person appointed or elected
11 by any Federal credit union to any position requiring the
12 receipt, payment, or custody of money or other personal
13 property owned by a Federal credit union or in its custody
14 or control as collateral or otherwise, to give bond in a
15 corporate surety company holding a certificate of authority
16 from the Secretary of the Treasury under the Act of Con-
17 gress approved July 30, 1947 (6 U.S.C. 6-13), as an
18 acceptable surety on Federal bonds. Any such bond or
19 bonds shall be in a form approved by the Director with a
20 view to providing surety coverage to the Federal credit
21 union with reference to loss by reason of acts of fraud or
22 dishonesty including forgery, theft, embezzlement, wrongful
23 abstraction, or misapplication on the part of the person,

1 directly or through connivance with others, and such other
2 surety coverages as the Director may determine to be
3 reasonably appropriate or as elsewhere required by this Act.
4 Any such bond or bonds shall be in such an amount in
5 relation to the money or other personal property involved
6 or in relation to the assets of the Federal credit union as the
7 Director may from time to time prescribe by regulation for
8 the purpose of requiring reasonable coverage. In lieu of
9 individual bonds the Director may approve the use of a
10 form of schedule or blanket bond which covers all of the
11 officers and employees of a Federal credit union whose
12 duties include the receipt, payment, or custody of money or
13 other personal property for or on behalf of the Federal credit
14 union. The Director may also approve the use of a form
15 of excess coverage bond whereby a Federal credit union
16 may obtain an amount of coverage in excess of the basic
17 surety coverage.

18 “(i) In every case of an adjudication by the Director
19 under this Act, determination shall be made on the record
20 after giving the opportunity for a hearing to all persons and
21 credit unions who may be directly affected by any order that
22 may be issued as a result of such adjudication. The words
23 ‘adjudication’ and ‘order’ as used herein shall have the
24 meanings specified in the Administrative Procedure Act.

1 "FISCAL AGENTS AND DEPOSITORIES

2 "SEC. 22. Each Federal credit union organized under this
3 Act, when requested by the Secretary of the Treasury, shall
4 act as fiscal agent of the United States and shall perform
5 such services as the Secretary of the Treasury may require in
6 connection with the collection of taxes and other obligations
7 due the United States and the lending, borrowing, and re-
8 payment of money by the United States, including the issue,
9 sale, redemption, or repurchase of bonds, notes, Treasury
10 certificates of indebtedness, or other obligations of the United
11 States; and to facilitate such purposes the Director shall fur-
12 nish to the Secretary of the Treasury from time to time the
13 names and addresses of all Federal credit unions with such
14 other available information concerning them as may be re-
15 quested by the Secretary of the Treasury. Any Federal
16 credit union organized under this Act, when designated for
17 that purpose by the Secretary of the Treasury shall be a de-
18 pository of public money, except receipts from customs,
19 under such regulations as may be prescribed by the Secre-
20 tary of the Treasury.

21 "TAXATION

22 "SEC. 23. The Federal credit unions organized here-
23 under, their property, their franchises, capital, reserves, sur-
24 pluses, and other funds, and their income shall be exempt

1 from all taxation now or hereafter imposed by the United
2 States or by any State, Territorial, or local taxing authority;
3 except that any real property and any tangible personal
4 property of such Federal credit unions shall be subject to
5 Federal, State, Territorial, and local taxation to the same
6 extent as other similar property is taxed. Nothing herein
7 contained shall prevent holdings in any Federal credit union
8 organized hereunder from being included in the valuation of
9 the personal property of the owners/ or holders thereof in
10 assessing taxes imposed by authority/ of the State or political
11 subdivision thereof in which the Federal credit union is
12 located: *Provided, however,* That the duty or burden of
13 collecting or enforcing the payment of such tax shall not
14 be imposed upon any such Federal credit union and the tax
15 shall not exceed the rate of taxes imposed upon holdings in
16 domestic credit unions.

17 "PARTIAL INVALIDITY; RIGHT TO AMEND

18 "SEC. 24. (a) If any provision of this Act, or the ap-
19 plication thereof to any person or circumstance, is held in-
20 valid, the remainder of the Act, and the application of such
21 provisions to other persons or circumstances, shall not be
22 affected thereby.

23 "(b) The right to alter, amend, or repeal this Act or
24 any part thereof, or any charter issued pursuant to the pro-
25 visions of this Act, is expressly reserved.

1 "SPACE IN FEDERAL BUILDINGS

2 "SEC. 25. Upon application by any credit union or
3 ganized under State law or by any Federal credit union
4 organized in accordance with the terms of this Act, at least
5 95 per centum of the membership of which is composed of
6 persons who either are presently Federal employees or are
7 retired Federal employees and members of their families,
8 which application shall be addressed to the officer or agency
9 of the United States charged with the allotment of space in
10 the Federal buildings in the community or district in which
11 said credit union or Federal credit union does business, such
12 officer or agency may in his or its discretion allot space to
13 such credit union if space is available without charge for
14 rent or services.

15 "CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND
16 FROM STATE TO FEDERAL CREDIT UNION

17 "SEC. 26. (a) CONVERSION FROM FEDERAL TO STATE
18 CREDIT UNION.—A Federal credit union may be converted
19 into a 'State credit union' under the laws of any State, the
20 District of Columbia, the several Territories and the several
21 possessions of the United States, the Panama Canal Zone,
22 or the Commonwealth of Puerto Rico, by complying with
23 the following requirements:

24 "(1) The proposition for such conversion shall first be
25 approved by a majority of the directors of the Federal credit

1 union. The proposition then shall be submitted to a meeting
2 of its members, the notice of which shall be in writing and
3 shall be delivered in person to each member, or shall be
4 mailed to each member at the address for such member
5 appearing on the records of the credit union, not more than
6 thirty nor less than seven days prior to the time of the
7 meeting. Approval of the proposition for conversion shall be
8 by the affirmative vote of not less than two-thirds of the
9 members present and voting at the meeting.

10 “(2) A copy of the minutes of such meeting, verified
11 by the affidavits of the president or vice president and the
12 secretary of the meeting, shall be filed with the Bureau
13 within ten days after the meeting.

14 “(3) Promptly after the adjournment of such meeting
15 of the members, and in no event later than ninety days after
16 such meeting, the credit union shall take such action as
17 may be necessary under the applicable State law to make
18 it a State credit union, and within ten days after receipt of
19 the State credit union charter there shall be filed with the
20 Bureau a copy of the charter thus issued. Upon such filing
21 the credit union shall cease to be a Federal credit union.

22 “(4) Upon ceasing to be a Federal credit union, such
23 credit union shall no longer be subject to any of the pro-
24 visions of this Act. The successor State credit union shall
25 be vested with all of the assets and shall continue respon-

1 sible for all of the obligations of the Federal credit union
2 to the same extent as though the conversion had not taken
3 place.

4 “(b) CONVERSION FROM STATE TO FEDERAL CREDIT
5 UNION.—A ‘State credit union’, organized under the laws
6 of any State, the District of Columbia, the several Territories
7 and the several possessions of the United States, the Panama
8 Canal Zone, or the Commonwealth of Puerto Rico, may
9 be converted into a Federal credit union by: (1) Comply-
10 ing with all State requirements requisite to enabling it to
11 convert to a Federal credit union or to cease being a State
12 credit union; (2) filing with the Bureau proof of such
13 compliance, satisfactory to the Director; and (3) filing
14 with the Bureau an organization certificate as required by
15 this Act.

16 “When the Director has been satisfied that all of such
17 requirements have been complied with, the Director shall
18 approve the organization certificate. Upon such approval,
19 the State credit union shall become a Federal credit union
20 as of the date it ceases to be a State credit union. The Fed-
21 eral credit union shall be vested with all of the assets and
22 shall continue responsible for all the obligations of the
23 State credit union to the same extent as though the conver-
24 sion had not taken place.

1 "ROBBERY AND INCIDENTAL CRIMES AGAINST FEDERAL
2 CREDIT UNIONS

3 "SEC. 27. Section 2113 of title 18 of the United States
4 Code is hereby made applicable to robbery and other crimes
5 against Federal credit unions by amending subsection (g)
6 of said section by inserting before the period at the end
7 thereof ', and any "Federal credit union" as defined in sec-
8 tion 2 of the Federal Credit Union Act'.

9 "TERRITORIAL APPLICABILITY OF ACT

10 "SEC. 28. The provisions of this Act shall apply to the
11 several States, the District of Columbia, the several Terri-
12 tories and the several possessions of the United States, the
13 Panama Canal Zone, and the Commonwealth of Puerto
14 Rico."

A BILL

To amend the Federal Credit Union Act.

By Mr. McCARTHY

MAY 19, 1959

Read twice and referred to the Committee on
Banking and Currency

86TH CONGRESS
1ST SESSION

H. R. 8305

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1959

Mr. SPENCE introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To amend the Federal Credit Union Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Federal Credit Union Act (48 Stat. 1216; 12
4 U.S.C., secs. 1751-1772) is amended to read as follows:

5 “SHORT TITLE

6 “SECTION 1. This Act may be cited as the ‘Federal
7 Credit Union Act’.

8 “DEFINITIONS

9 “SEC. 2. As used in this Act—

10 “(1) the term ‘Federal credit union’ means a
11 cooperative association organized in accordance with the

1 provisions of this Act for the purpose of promoting thrift
2 among its members and creating a source of credit for
3 provident or productive purposes;

4 “(2) the term ‘Bureau’ means the Bureau of Fed-
5 eral Credit Unions; and

6 “(3) the term ‘Director’ means the Director of
7 the Bureau of Federal Credit Unions.

8 “CREATION OF BUREAU

9 “SEC. 3. There shall be in the Department of Health,
10 Education, and Welfare a Bureau of Federal Credit Unions,
11 which shall be under the supervision of a Director appointed
12 by the Secretary of Health, Education, and Welfare. The
13 Bureau of Federal Credit Unions and the Director shall be
14 under the general direction and supervision of the Secretary.

15 “FEDERAL CREDIT UNION ORGANIZATION

16 “SEC. 4. Any seven or more natural persons who desire
17 to form a Federal credit union shall subscribe before some
18 officer competent to administer oaths an organization certifi-
19 cate in duplicate which shall specifically state—

20 “(1) the name of the association;

21 “(2) the location of the proposed Federal credit
22 union and the territory in which it will operate;

23 “(3) the names and addresses of the subscribers to
24 the certificate and the number of shares subscribed by
25 each;

1 “(4) the par value of the shares, which shall be \$5
2 each;

3 “(5) the proposed field of membership, specified in
4 detail;

5 “(6) the term of the existence of the corporation;
6 which may be perpetual; and

7 “(7) the fact that the certificate is made to enable
8 such persons to avail themselves of the advantages of
9 this Act.

10 Such organization certificate may also contain any pro-
11 visions approved by the Director for the management of the
12 business of the association and for the conduct of its affairs
13 and relative to the powers of its directors, officers, or stock-
14 holders.

15 “APPROVAL OF ORGANIZATION CERTIFICATE

16 “SEC. 5. The organization certificate shall be presented
17 to the Director for approval. Before any organization cer-
18 tificate is approved, an appropriate investigation shall be
19 made for the purpose of determining (1) whether the or-
20 ganization certificate conforms to the provisions of this Act;
21 (2) the general character and fitness of the subscribers
22 thereto; and (3) the economic advisability of establishing
23 the proposed Federal credit union. Upon approval of such
24 organization certificate by the Director it shall be the char-
25 ter of the corporation, and one of the originals thereof shall

1 be delivered to the corporation after the payment of the fee
 2 required therefor. Upon such approval the Federal credit
 3 union shall be a body corporate and as such, subject to the
 4 limitations herein contained, shall be vested with all of the
 5 powers and charged with all of the liabilities conferred and
 6 imposed by this Act upon corporations organized hereunder.

7 "FEES

8 "SEC. 6. For the purpose of paying the costs incident
 9 to the ascertainment of whether an organization certificate
 10 should be approved, the subscribers to any such certificate
 11 shall pay, at the time of filing their organization certificate,
 12 the amount prescribed by the Director, which shall not
 13 exceed \$20 in any case; and on the approval of any
 14 organization certificate they shall also pay a fee of \$5. Not
 15 later than January 31 of each calendar year, each Federal
 16 credit union shall pay to the Bureau, for the preceding
 17 calendar year, a supervision fee in accordance with a grad-
 18 uated scale prescribed by regulation on the basis of assets
 19 as of December 31 of such preceding year, but such fee
 20 shall in no event be less than \$10 nor more than the appli-
 21 cable amount specified in the following table:

"Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000----	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000--	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000--	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

1 All such fees shall be deposited with the Treasurer of the
2 United States for the account of the Bureau and may be
3 expended by the Director for such administrative, super-
4 visory, and other expenses incurred in carrying out the pro-
5 visions of this Act as he may determine to be proper, the
6 purpose of such fees being to defray such expenses as far
7 as practicable. No annual supervision fee shall be payable
8 by a Federal credit union with respect to the year in which
9 its charter is issued, or in which final distribution is made
10 in its liquidation or the charter is otherwise canceled.

11 "REPORTS AND EXAMINATIONS

12 "SEC. 7. Federal credit unions shall be under the
13 supervision of the Director, and shall make financial reports
14 to him as and when he may require, but at least annually.
15 Each Federal credit union shall be subject to examination
16 by, and for this purpose shall make its books and records
17 accessible to, any person designated by the Director. The
18 Director shall fix a scale of examination fees to be paid
19 by Federal credit unions, giving due consideration to the
20 time and expense incident to such examinations, and to
21 the ability of Federal credit unions to pay such fees, which
22 fees shall be assessed against and paid by each Federal
23 credit union promptly after the completion of such exami-
24 nation. Examination fees collected under the provisions of
25 this section shall be deposited to the credit of the special

1 fund created by section 6, and shall be available for the
2 purposes specified in such section.

3 "POWERS

4 "SEC. 8. A Federal credit union shall have succession
5 in its corporate name during its existence and shall have
6 power—

7 "(1) to make contracts;

8 "(2) to sue and be sued;

9 "(3) to adopt and use a common seal and alter
10 the same at pleasure;

11 "(4) to purchase, hold, and dispose of property
12 necessary or incidental to its operations;

13 "(5) to make loans with maturities not exceeding
14 five years to its members for provident or productive
15 purposes upon such terms and conditions as this Act
16 and its bylaws provide and as the credit committee or
17 a loan officer may approve, at rates of interest not ex-
18 ceeding 1 per centum per month on unpaid balances,
19 inclusive of all charges incident to making the loan;
20 except that no loans to a director or member of the
21 supervisory or credit committee shall exceed the amount
22 of his holdings in the Federal credit union as represented
23 by shares thereof plus the total unencumbered and un-

1 pledged shareholdings in the Federal credit union of any
2 member pledged as security for the obligation of such
3 director or committee member. No director or member
4 of the supervisory or credit committee shall endorse for
5 borrowers. A borrower may repay his loan, prior to
6 maturity, in whole or in part on any business day. The
7 taking, receiving, reserving, or charging of a rate of
8 interest greater than is allowed by this paragraph, when
9 knowingly done, shall be deemed a forfeiture of the entire
10 interest which the note, bill, or other evidence of debt
11 carries with it, or which has been agreed to be paid
12 thereon. If such greater rate of interest has been paid,
13 the person by whom it has been paid, or his legal repre-
14 sentatives, may recover back from the credit union taking
15 or receiving the same, in an action in the nature of an
16 action of debt, the entire amount of interest paid; but
17 such action must be commenced within two years
18 from the time the usurious collection was made.
19 Loans shall be paid or amortized in accordance with
20 rules and regulations prescribed by the Director after
21 taking into account the needs or conditions of the bor-
22 rowers, the amounts and duration of the loans, the in-
23 terests of the members and the credit unions, and such

1 other factors as the Director deems relevant, but such
2 rules and regulations shall not require payments more
3 frequently than annually;

4 “(6) to receive from its members payments on
5 shares;

6 “(7) to invest its funds (A) in loans exclusively
7 to members; (B) in obligations of the United States of
8 America, or securities fully guaranteed as to principal
9 and interest thereby; (C) in accordance with rules and
10 regulations prescribed by the Director, in loans to other
11 credit unions in the total amount not exceeding 25 per
12 centum of its paid-in and unimpaired capital and sur-
13 plus; or (D) in shares or accounts of savings and loan
14 associations, the accounts of which are insured by the
15 Federal Savings and Loan Insurance Corporation;

16 “(8) to make deposits in national banks and in
17 State banks, trust companies, and mutual savings banks
18 operating in accordance with the laws of the State in
19 which the Federal credit union does business;

20 “(9) to borrow, in accordance with such rules and
21 regulations as may be prescribed by the Director, from
22 any source, in an aggregate amount not exceeding 50
23 per centum of its paid-in and unimpaired capital and
24 surplus: *Provided*, That any Federal credit union may
25 discount with or sell to any Federal intermediate credit

1 bank any eligible obligations up to the amount of its
2 paid-in and unimpaired capital;

3 “(10) to levy late charges, in accordance with the
4 bylaws, for failure of members to meet promptly their
5 obligations to the Federal credit union;

6 “(11) to impress and enforce a lien upon the shares
7 and dividends of any member, to the extent of any loan
8 made to him and any dues or charges payable by him;

9 “(12) in accordance with rules and regulations pre-
10 scribed by the Director, to sell to members negotiable
11 checks (including travelers checks) and money orders,
12 and to cash checks and money orders for members, for
13 a fee which does not exceed the direct and indirect costs
14 incident to providing such service; and

15 “(13) to exercise such incidental powers as shall
16 be necessary or requisite to enable it to carry on
17 effectively the business for which it is incorporated.

18 “BYLAWS

19 “SEC. 9. In order to simplify the organization of Fed-
20 eral credit unions the Director shall from time to time cause
21 to be prepared a form of organization certificate and a form
22 of bylaws, consistent with this Act, which shall be used by
23 Federal credit union incorporators, and shall be supplied to
24 them on request. At the time of presenting the organization

1 certificate the incorporators shall also submit proposed by-
2 laws to the Director for his approval.

3 "MEMBERSHIP

4 "SEC. 10. Federal credit union membership shall con-
5 sist of the incorporators and such other persons and incor-
6 porated and unincorporated organizations, to the extent
7 permitted by rules and regulations prescribed by the Di-
8 rector, as may be elected to membership and as such shall
9 each, subscribe to at least one share of its stock and pay the
10 initial installment thereon and the entrance fee; except that
11 Federal credit union membership shall be limited to groups
12 having a common bond of occupation or association, or to
13 groups within a well-defined neighborhood, community, or
14 rural district. Shares may be issued in joint tenancy with
15 right of survivorship with any persons designated by the
16 credit union member, but no joint tenant shall be permitted
17 to vote, obtain loans, or hold office, unless he is within the
18 field of membership and is a qualified member.

19 "MEMBERS' MEETINGS

20 "SEC. 11. The fiscal year of all Federal credit unions
21 shall end December 31. The annual meeting of each Fed-
22 eral credit union shall be held at such time during the month
23 of the following January and at such place as its bylaws shall
24 prescribe. Special meetings may be held in the manner
25 indicated in the bylaws. No member shall be entitled to

1 vote by proxy, but a member other than a natural person
2 may vote through an agent designated for the purpose. Ir-
3 respective of the number of shares held by him, no member
4 shall have more than one vote.

5 "MANAGEMENT

6 "SEC. 12. The business affairs of a Federal credit union
7 shall be managed by a board of not less than five directors,
8 and a credit committee of not less than three members, all
9 to be elected at the annual members' meeting by and from
10 the members, and by a supervisory committee of three mem-
11 bers, one of whom may be a director other than the treasurer,
12 to be appointed by the board. Any vacancy occurring in the
13 supervisory committee shall be filled in the same manner as
14 original appointments to such committee. All members of
15 the board and of such committees shall hold office for such
16 terms, respectively, as the bylaws may provide. A record of
17 the names and addresses of the members of the board and
18 such committees and of the officers of the credit union shall
19 be filed with the Bureau within ten days after their election
20 or appointment. No member of the board or of either such
21 committee shall, as such, be compensated.

22 "OFFICERS

23 "SEC. 13. At their first meeting after the annual meet-
24 ing of the members, the directors shall elect from their num-
25 ber a president, one or more vice presidents, a secretary, and

1 a treasurer, who shall be the executive officers of the cor-
2 poration. No executive officer, except the treasurer, shall
3 be compensated as such. The offices of secretary and treas-
4 urer may be held by the same person. The duties of the
5 officers shall be as determined by the bylaws, except that the
6 treasurer shall be the general manager of the corporation.
7 Before the treasurer shall enter upon his duties he shall give
8 bond with good and sufficient surety, in an amount and char-
9 acter to be determined by the board of directors in compli-
10 ance with regulations prescribed from time to time by the
11 Director, conditioned upon the faithful performance of his
12 trust.

13 "DIRECTORS

14 "SEC. 14. The board of directors shall meet at least
15 once a month and shall have the general direction and con-
16 trol of the affairs of the corporation. Minutes of all such
17 meetings shall be kept. Among other things they shall act
18 upon applications for membership; require any officer or em-
19 ployee having custody of or handling funds to give bond
20 with good and sufficient surety in an amount and character
21 to be determined by the board of directors in compliance
22 with regulations prescribed from time to time by the Di-
23 rector, and authorize the payment of the premium or pre-
24 miums therefor from the funds of the Federal credit union;
25 fill vacancies in the board and in the credit committee until

1 successors elected at the next annual meeting have qualified;
2 have charge of investments other than loans to members;
3 determine from time to time the maximum number of shares
4 that may be held by an individual; subject to the limitations
5 of this Act, determine the interest rates on loans and the
6 maximum amount which may be loaned with or without
7 security to any member; subject to such regulations as may
8 be issued by the Director, authorize an interest refund to
9 members of record at the close of business on December 31
10 in proportion to the interest paid by them during that year;
11 and provide for compensation of necessary clerical and au-
12 diting assistance requested by the supervisory committee, and
13 of loan officers appointed by the credit committee. The
14 board may appoint an executive committee of not less than
15 three directors to act for it in the purchase and sale of secu-
16 rities or the making of loans to other credit unions, or both.
17 Such executive committee or a membership officer appointed
18 by the board from among the members of the credit union,
19 other than the treasurer, an assistant treasurer, or a loan offi-
20 cer, may be authorized by the board to approve applications
21 for membership under such conditions as the board may pre-
22 scribe; except that such committee or membership officer so
23 authorized shall submit to the board at each monthly meet-
24 ing a list of approved or pending applications for member-
25 ship received since the previous monthly meeting, together

1 with such other related information as the bylaws or the
2 board may require.

3 "CREDIT COMMITTEE

4 "SEC. 15. The credit committee shall hold such meet-
5 ings as the business of the Federal credit union may require
6 and not less frequently than once a month to consider appli-
7 cations for loans. Reasonable notice of such meetings shall
8 be given to all members of the committee. No loan shall be
9 made unless it is approved by a majority of the entire com-
10 mittee and by all members of the committee who are present
11 at the meeting at which the application is considered; except
12 that the credit committee may appoint one or more loan offi-
13 cers, and delegate to him or them the power to approve loans
14 up to the unsecured limit, or in excess of such limit if
15 such excess is fully secured by unpledged shares. Each
16 loan officer shall furnish to the credit committee a record
17 of each loan approved or not approved by him within seven
18 days of the date of the filing of the application therefor. All
19 loans not approved by a loan officer shall be acted upon by
20 the credit committee. No individual shall have authority to
21 disburse funds of the Federal credit union for any loan which
22 has been approved by him in his capacity as a loan officer.
23 Not more than one member of the credit committee may
24 be appointed as a loan officer. Applications for loans
25 shall be made on forms prepared by such committee,

1 which shall set forth the purpose for which the loan is
2 desired, the security, if any, and such other data as may
3 be required. No loan shall be made to any member which
4 causes such member to become indebted to the Federal
5 credit union in an aggregate amount, upon loans made to
6 such member, which is in excess of \$200 or 10 per centum
7 of the credit union's paid-in unimpaired capital and surplus,
8 whichever is greater, or in excess of \$1,000 unless such ex-
9 cess over \$1,000 is adequately secured. For the purposes
10 of this section an assignment of shares or the endorsement
11 of a note shall be deemed security.

12 "SUPERVISORY COMMITTEE

13 "SEC. 16. The supervisory committee shall make or
14 cause to be made, at least quarterly, an examination of the
15 affairs of the Federal credit union, including an audit of its
16 books; shall make or cause to be made a report of its
17 quarterly examination to the board of directors; shall make
18 or cause to be made an annual audit, a report of which
19 shall be submitted to the members at the next annual meet-
20 ing of the corporation; may suspend by a unanimous vote
21 any officer of the corporation or any member of the credit
22 committee or of the board of directors, until the next mem-
23 bers' meeting, which members' meeting shall be held not
24 less than seven nor more than fourteen days after such
25 suspension and at which meeting such suspension shall be

1 acted upon by the members; and may call by a majority
2 vote a special meeting of the shareholders to consider
3 any violation of this Act, the charter, or the bylaws, or
4 any practice of the corporation deemed by the supervisory
5 committee to be unsafe or unauthorized. Any member of
6 the supervisory committee may be suspended by the
7 board of directors. The members shall decide, at a meet-
8 ing held not less than seven nor more than fourteen days
9 after any such suspension, whether the suspended com-
10 mittee member shall be removed from or restored to the
11 supervisory committee. The supervisory committee shall
12 cause the passbooks and accounts of the members to be
13 verified with the records of the treasurer from time to time,
14 and not less frequently than once every two years. As used
15 in this section, the term 'passbook' shall include any book,
16 statement of account, or other record approved by the Di-
17 rector for use by Federal credit unions.

18 "RESERVES

19 "SEC. 17. All entrance fees and charges provided by the
20 bylaws and 20 per centum of the net earnings of each divi-
21 dend period, before the declaration of any dividends, shall be
22 set aside as a regular reserve against losses on bad loans and
23 such other losses as may be specified in the bylaws in accord-
24 ance with regulations prescribed under this Act: *Provided,*
25 *however,* That when the regular reserve thus established shall

1 equal 10 per centum of the total amount of members' share-
2 holdings, no further transfer of net earnings to such regular
3 reserve shall be required except that such amounts not in ex-
4 cess of 20 per centum of the net earnings as may be needed
5 to maintain this 10 per centum ratio shall continue to be
6 transferred. In addition to such regular reserve, special re-
7 serves to protect the interests of members shall be established
8 when required (1) by regulation, or (2) in any special
9 case, when found by the Director to be necessary for that
10 purpose.

11 "DIVIDENDS

12 "SEC. 18. Annually or semiannually, as the bylaws may
13 provide, and after provision for the required reserves, the
14 board of directors may declare a dividend to be paid from
15 the remaining net earnings. Such dividend shall be paid on
16 all paid-up shares outstanding at the end of the period for
17 which the dividend is declared. Shares which become fully
18 paid up during such dividend period and are outstanding at
19 the close of the period shall be entitled to a proportional part
20 of such dividend. Dividend credit for a month may be ac-
21 crued on shares which are or become fully paid up during
22 the first five days of that month.

23 "EXPULSION AND WITHDRAWAL

24 "SEC. 19. A member may be expelled by a two-thirds
25 vote of the members of a Federal credit union present at

1 a special meeting called for the purpose, but only after an
2 opportunity has been given him to be heard. Withdrawal
3 or expulsion of a member shall not operate to relieve him
4 from liability to the Federal credit union. The amount to
5 be paid a withdrawing or expelled member by a Federal
6 credit union shall be determined and paid in the manner
7 specified in the bylaws.

8 "MINORS

9 "SEC. 20. Shares may be issued in the name of a minor
10 or in trust, subject to such conditions as may be prescribed
11 by the bylaws. When shares are issued in trust, the name
12 of the beneficiary shall be disclosed to the Federal credit
13 union.

14 "CERTAIN POWERS OF DIRECTOR

15 "SEC. 21. (a) The Director may prescribe rules and
16 regulations for the administration of this Act (including,
17 but not by way of limitation, the merger, consolidation,
18 and dissolution of corporations organized under this Act).

19 "(b) (1) The Director may suspend or revoke the
20 charter of any Federal credit union, or place the same in
21 involuntary liquidation and appoint a liquidating agent there-
22 for, upon his finding that the organization is bankrupt or
23 insolvent, or has violated any of the provisions of its charter,
24 its bylaws, this Act, or any regulations issued thereunder.

25 "(2) The Director, through such persons as he shall

1 designate, may examine any Federal credit union in volun-
2 tary liquidation and, upon his finding that such voluntary
3 liquidation is not being conducted in an orderly or efficient
4 manner or in the best interests of its members, may termi-
5 nate such voluntary liquidation and place such organization
6 in involuntary liquidation and appoint a liquidating agent
7 therefor.

8 “(3) Such liquidating agent shall have power and au-
9 thority, subject to the control and supervision of the Director
10 and under such rules and regulations as the Director may
11 prescribe, (A) to receive and take possession of the books,
12 records, assets, and property of every description of the
13 Federal credit union in liquidation, to sell, enforce collection
14 of, and liquidate all such assets and property, to compound
15 all bad or doubtful debts, and to sue in his own name or in
16 the name of the Federal credit union in liquidation, and
17 defend such actions as may be brought against him as
18 liquidating agent or against the Federal credit union; (B)
19 to receive, examine, and pass upon all claims against the
20 Federal credit union in liquidation, including claims of mem-
21 bers on shares; (C) to make distribution and payment to
22 creditors and members as their interests may appear; and
23 (D) to execute such documents and papers and to do such
24 other acts and things which he may deem necessary or
25 desirable to discharge his duties hereunder.

1 “(4) Subject to the control and supervision of the
2 Director and under such rules and regulations as the Director
3 may prescribe, the liquidating agent of a Federal credit
4 union in involuntary liquidation shall (A) cause notice to
5 be given to creditors and members to present their claims
6 and make legal proof thereof, which notice shall be published
7 once a week in each of three successive weeks in a news-
8 paper of general circulation in each county in which the
9 Federal credit union in liquidation maintained an office or
10 branch for the transaction of business on the date it ceased
11 unrestricted operations; except that whenever the aggre-
12 gate book value of the assets and property of a Federal
13 credit union in involuntary liquidation is less than \$1,000,
14 unless the Director shall find that its books and records do
15 not contain a true and accurate record of its liabilities, he
16 shall declare such Federal credit union in liquidation to be
17 a ‘no publication’ liquidation, and publication of notice to
18 creditors and members shall not be required in such case;
19 (B) from time to time make a ratable dividend on all such
20 claims as may have been proved to his satisfaction or adjudi-
21 cated in a court of competent jurisdiction and, after the
22 assets of such organization have been liquidated, make fur-
23 ther dividends on all claims previously proved or adjudi-
24 cated, and he may accept in lieu of a formal proof of claim
25 on behalf of any creditor or member the statement of any

1 amount due to such creditor or member as shown on the
2 books and records of the credit union; but all claims not filed
3 before payment of the final dividend shall be barred and
4 claims rejected or disallowed by the liquidating agent shall
5 be likewise barred unless suit be instituted thereon within
6 three months after notice of rejection or disallowance; and
7 (C) in a 'no publication' liquidation, determine from all
8 sources available to him, and within the limits of available
9 funds of the Federal credit union, the amounts due to credi-
10 tors and members, and after sixty days shall have elapsed
11 from the date of his appointment distribute the funds of the
12 Federal credit union to creditors and members ratably and as
13 their interests may appear.

14 “ (5) Upon certification by the liquidating agent in the
15 case of an involuntary liquidation, and upon such proof as
16 shall be satisfactory to the Director in the case of a voluntary
17 liquidation, that distribution has been made and that liqui-
18 dation has been completed, as provided herein, the Director
19 shall cancel the charter of such Federal credit union; but the
20 corporate existence of the Federal credit union shall continue
21 for a period of three years from the date of such cancellation
22 of its charter, during which period the liquidating agent, or
23 his duly appointed successor, or such persons as the Director
24 shall designate, may act on behalf of the Federal credit union
25 for the purpose of paying, satisfying, and discharging any

1 existing liabilities or obligations, collecting and distributing
2 its assets, and doing all other acts required to adjust and
3 wind up its business and affairs, and it may sue and be sued
4 in its corporate name.

5 “(c) After the expiration of five years from the date
6 of cancellation of the charter of a Federal credit union the
7 Director may, in his discretion, destroy any or all books and
8 records of such Federal credit union in his possession or
9 under his control.

10 “(d) The Director is authorized and empowered to
11 execute any and all functions and perform any and all duties
12 vested in him hereby, through such persons as he shall desig-
13 nate or employ; and he may delegate to any person or per-
14 sons, including any institution operating under the general
15 supervision of the Bureau, the performance and discharge
16 of any authority, power, or function vested in him by this
17 Act.

18 “(e) All books and records of Federal credit unions
19 shall be kept and reports shall be made in accordance with
20 forms approved by the Director.

21 “(f) The Director is authorized to make investigations
22 and to conduct researches and studies of the problems of
23 persons of small means in obtaining credit at reasonable
24 rates of interest, and of the methods and benefits of co-
25 operative saving and lending among such persons. He is

1 further authorized to make reports of such investigations
2 and to publish and disseminate the same.

3 “(g) Any officer or employee of the Bureau is author-
4 ized, when designated for the purpose by the Director, to
5 administer oaths and affirmations and to take affidavits and
6 depositions touching upon any matter within the jurisdiction
7 of the Bureau.

8 “(h) The Director is authorized, empowered, and
9 directed to require that every person appointed or elected
10 by any Federal credit union to any position requiring the
11 receipt, payment, or custody of money or other personal
12 property owned by a Federal credit union, or in its custody
13 or control as collateral or otherwise, give bond in a corporate
14 surety company holding a certificate of authority from the
15 Secretary of the Treasury under the Act approved July 30,
16 1947 (6 U.S.C., sec. 6-13), as an acceptable surety on
17 Federal bonds. Any such bond or bonds shall be in a form
18 approved by the Director with a view to providing surety
19 coverage to the Federal credit union with reference to loss
20 by reason of acts of fraud or dishonesty including forgery,
21 theft, embezzlement, wrongful abstraction, or misapplication
22 on the part of the person, directly or through connivance
23 with others, and such other surety coverages as the Director
24 may determine to be reasonably appropriate or as elsewhere
25 required by this Act. Any such bond or bonds shall be in

1 such an amount in relation to the money or other personal
2 property involved or in relation to the assets of the Federal
3 credit union as the Director may from time to time prescribe
4 by regulation for the purpose of requiring reasonable cover-
5 age. In lieu of individual bonds the Director may approve
6 the use of a form of schedule or blanket bond which covers all
7 of the officers and employees of a Federal credit union whose
8 duties include the receipt, payment, or custody of money or
9 other personal property for or on behalf of the Federal credit
10 union. The Director may also approve the use of a form
11 of excess coverage bond whereby a Federal credit union
12 may obtain an amount of coverage in excess of the basic
13 surety coverage.

14 "FISCAL AGENTS AND DEPOSITORIES

15 "SEC. 22. Each Federal credit union organized under this
16 Act, when requested by the Secretary of the Treasury, shall
17 act as fiscal agent of the United States and shall perform
18 such services as the Secretary of the Treasury may require in
19 connection with the collection of taxes and other obligations
20 due the United States and the lending, borrowing, and re-
21 payment of money by the United States, including the issue,
22 sale, redemption, or repurchase of bonds, notes, Treasury
23 certificates of indebtedness, or other obligations of the United
24 States; and to facilitate such purposes the Director shall fur-
25 nish to the Secretary of the Treasury from time to time the

1 names and addresses of all Federal credit unions with such
2 other available information concerning them as may be re-
3 quested by the Secretary of the Treasury. Any Federal
4 credit union organized under this Act, when designated for
5 that purpose by the Secretary of the Treasury, shall be a
6 depository of public money, except receipts from customs,
7 under such regulations as may be prescribed by the Secre-
8 tary of the Treasury.

9 “TAXATION

10 “SEC. 23. The Federal credit unions organized here-
11 under, their property, their franchises, capital, reserves, sur-
12 pluses, and other funds, and their income shall be exempt
13 from all taxation now or hereafter imposed by the United
14 States or by any State, Territorial, or local taxing authority;
15 except that any real property and any tangible personal
16 property of such Federal credit unions shall be subject to
17 Federal, State, Territorial, and local taxation to the same
18 extent as other similar property is taxed. Nothing herein
19 contained shall prevent holdings in any Federal credit union
20 organized hereunder from being included in the valuation of
21 the personal property of the owners or holders thereof in
22 assessing taxes imposed by authority of the State or political
23 subdivision thereof in which the Federal credit union is
24 located; but the duty or burden of collecting or enforcing
25 the payment of such a tax shall not be imposed upon any

1 such Federal credit union and the tax shall not exceed the
2 rate of taxes imposed upon holdings in domestic credit
3 unions.

4 "PARTIAL INVALIDITY; RIGHT TO AMEND

5 "SEC. 24. (a) If any provision of this Act, or the ap-
6 plication thereof to any person or circumstance, is held in-
7 valid, the remainder of the Act, and the application of such
8 provision to other persons or circumstances, shall not be
9 affected thereby.

10 "(b) The right to alter, amend, or repeal this Act or
11 any part thereof, or any charter issued pursuant to the pro-
12 visions of this Act, is expressly reserved.

13 "SPACE IN FEDERAL BUILDINGS

14 "SEC. 25. Upon application by any credit union organ-
15 ized under State law or by any Federal credit union organ-
16 ized in accordance with the terms of this Act, at least 95
17 per centum of the membership of which is composed of
18 persons who either are presently Federal employees or were
19 Federal employees at the time of admission into the credit
20 union, and members of their families, which application shall
21 be addressed to the officer or agency of the United States
22 charged with the allotment of space in the Federal build-
23 ings in the community or district in which such credit union
24 does business, such officer or agency may in his or its dis-

1 cretion allot space to such credit union if space is available
2 without charge for rent or services.

3 "CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND
4 FROM STATE TO FEDERAL CREDIT UNION

5 "SEC. 26. (a) A Federal credit union may be converted
6 into a State credit union under the laws of any State, the
7 District of Columbia, the several Territories and possessions
8 of the United States, the Panama Canal Zone, or the Com-
9 monwealth of Puerto Rico, by complying with the following
10 requirements:

11 "(1) The proposition for such conversion shall first be
12 approved, and a date set for a vote thereon by the members
13 (either at a meeting to be held on such date or by written
14 ballot to be filed on or before such date), by a majority of
15 the directors of the Federal credit union. Written notice of
16 the proposition and of the date set for the vote shall then
17 be delivered in person to each member, or mailed to each
18 member at the address for such member appearing on the
19 records of the credit union, not more than thirty nor less
20 than seven days prior to such date. Approval of the proposi-
21 tion for conversion shall be by the affirmative vote of a
22 majority of the members, in person or in writing.

23 "(2) A statement of the results of the vote, verified by
24 the affidavits of the president or vice president and the

1 secretary, shall be filed with the Bureau within ten days
2 after the vote is taken.

3 “(3) Promptly after the vote is taken and in no event
4 later than ninety days thereafter, if the proposition for con-
5 version was approved by such vote, the credit union shall
6 take such action as may be necessary under the applicable
7 State law to make it a State credit union, and within ten
8 days after receipt of the State credit union charter there shall
9 be filed with the Bureau a copy of the charter thus issued.
10 Upon such filing the credit union shall cease to be a Federal
11 credit union.

12 “(4) Upon ceasing to be a Federal credit union, such
13 credit union shall no longer be subject to any of the pro-
14 visions of this Act. The successor State credit union shall
15 be vested with all of the assets and shall continue respon-
16 sible for all of the obligations of the Federal credit union
17 to the same extent as though the conversion had not taken
18 place.

19 “(b) (1) A State credit union, organized under the
20 laws of any State, the District of Columbia, the several
21 Territories and possessions of the United States, the Panama
22 Canal Zone, or the Commonwealth of Puerto Rico, may
23 be converted into a Federal credit union by (A) comply-

1 ing with all State requirements requisite to enabling it to
2 convert to a Federal credit union or to cease being a State
3 credit union, (B) filing with the Bureau proof of such
4 compliance, satisfactory to the Director, and (C) filing
5 with the Bureau an organization certificate as required by
6 this Act.

7 “(2) When the Director has been satisfied that all of
8 such requirements, and all other requirements of this Act,
9 have been complied with, the Director shall approve the
10 organization certificate. Upon such approval, the State
11 credit union shall become a Federal credit union as of the
12 date it ceases to be a State credit union. The Federal
13 credit union shall be vested with all of the assets and
14 shall continue responsible for all of the obligations of the
15 State credit union to the same extent as though the conver-
16 sion had not taken place.

17 “TERRITORIAL APPLICABILITY OF ACT

18 “SEC. 27. The provisions of this Act shall apply to the
19 several States, the District of Columbia, the several Terri-
20 tories and possessions of the United States, the Panama Canal
21 Zone, and the Commonwealth of Puerto Rico.”

22 SEC. 2. Section 2113 (g) of title 18 of the United States
23 Code is amended by inserting before the period at the end

1 thereof “, and any ‘Federal credit union’ as defined in section
2 2 of the Federal Credit Union Act”.

3 SEC. 3. The Director of the Bureau of Federal Credit
4 Unions shall submit to the Congress on or before January 15,
5 1960, a draft of legislation providing for federally chartered
6 central credit unions.

86TH CONGRESS
1ST Session

H. R. 8305

A BILL

To amend the Federal Credit Union Act.

By Mr. SPENCER

JULY 20, 1959

Referred to the Committee on Banking and Currency

intent of Congress that our own people should not be at any disadvantage in sharing surplus food commodities." The bill amends Public Law 480 by inserting "research" in Sec. 104 (k) regarding use of foreign currencies.

Rep. Meader and others discussed the activities of a subcommittee of the Government Operations Committee in investigating the administration and use of foreign aid funds, and Rep. Meader stated that the Investigation conducted by this subcommittee "furnishes an excellent example of the manner in which a well-run Congressional investigating committee can make its contribution to the improvement of legislation or ... of its administration." pp. 12705-12

2. MILK. The Agriculture Committee reported with amendment S. 1289, to increase and extend the special milk program (H. Rept. 680). p. 12713
3. WHEAT; FOREIGN AFFAIRS. Received from this Department a proposed bill, "To amend the International Wheat Agreement Act of 1949, as amended, to extend the authority contained in that Act until July 31, 1962"; to the Banking and Currency Committee. p. 12713
4. DISASTER RELIEF. The Agriculture Committee reported with amendment H. R. 6861, to require contributions by State governments to the cost of feed or seed furnished to farmers, ranchers, or stockmen in disaster areas (H. Rept. 692). p. 12713
5. ATOMIC ENERGY COMMISSION APPROPRIATION BILL FOR 1960. Passed as reported this bill, H. R. 8283 (pp. 12672-83). Rep. Jensen expressed the hope that the Atomic Energy Commission will "come up with the answer as to how we can extract alcohol from this great quantity of surplus grains which we have in storage" (p. 12674).
6. PEANUTS. The Agriculture Committee reported with amendment H. R. 4938, to continue the exemption of green peanuts from acreage allotments and marketing quotas (H. Rept. 691). p. 12713
7. CREDIT UNION. The Banking and Currency Committee reported without amendment H. R. 8305, to amend the Federal Credit Union Act (H. Rept. 696). p. 12713
8. RECLAMATION. Received from Interior/^{Department} a letter relative to an application for a loan for the Weber-Box Elder Conservation District at Ogden, Utah, pursuant to the Small Reclamation Projects Act of 1956, as amended. p. 12713
9. FOREIGN TRADE. Received the annual report of the Tariff Commission on the operation of the Trade Agreements Program. p. 12713
10. SURPLUS PROPERTY. Received from GSA a proposed bill "to amend the Federal Property Administrative Services Act of 1949, to promote the utilization of excess property, and to simplify the reimbursement procedure for transfer of such property"; to Government Operations Committee. p. 12713
11. ADMINISTRATIVE AUTHORITY. Received from the Florida Legislature a memorial relative to the authority delegated to administrative officers of all Federal agencies and its application to effectuate the provisions of Federal statutes. p. 12714
12. PERSONNEL; TRAVEL. As reported H. R. 5196, to increase the maximum rates of per diem travel allowance for Federal employees, provides as follows: Increases the maximum per diem allowance for subsistence and travel expenses for regular Government employees from the present \$12 per day to \$15 per day.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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HIGHLIGHTS: See page 7.

HOUSE

1. **MUTUAL SECURITY.** Received the conference report on H. R. 7500, the mutual security authorization bill for 1959 (H. Rept. 695). pp. 12660-70, 12713
As reported by the conferees, the bill authorizes \$3,556,200,000 for the fiscal year 1960 as well as \$1,100,000,000 for advances to the Development Loan Fund during the fiscal year 1961. It earmarks \$175 million of 1960 mutual security funds to finance U. S. surplus agricultural commodities and authorizes their grant as well as sale. The Humphrey amendment regarding availability of commodities for domestic relief if available for foreign aid, was adopted in a modified form that (according to the House conferees) "allows sufficient flexibility in the administration of the program and at the same time indicates the

FEDERAL CREDIT UNION ACT

REPORT

OF THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH CONGRESS

FIRST SESSION

TOGETHER WITH

SUPPLEMENTAL VIEWS

ON

H.R. 8305



JULY 21, 1959.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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(Hon. Wright Patman, chairman) held hearings on H.R. 5777 and related bills on May 11, 12, and 13. H.R. 8305 is a clean bill, introduced by Hon. Brent Spence, chairman of the full Banking and Currency Committee, incorporating amendments agreed to by the full committee, after considering H.R. 5777 as reported to it by Subcommittee No. 3.

HISTORY OF CREDIT UNIONS

This year marks the 50th anniversary of the first State credit union law and the 25th anniversary of the Federal Credit Union Act. The Federal Credit Union Act, passed in 1934, has proved to be a most workable and worthwhile program which has assisted over 5 million of our citizens in meeting in part their growing credit needs and at the same time encouraging them to save.

The first credit union in the United States was organized in Manchester, N.H., in 1909 with the first law in the United States on this subject being passed in the State of Massachusetts in the same year. The sponsors of this law, Pierre Jay, then banking commissioner of Massachusetts, and Edward A. Filene, a prominent Boston philanthropist, firmly espoused credit unions as a method by which people with limited financial means could gain a larger share of control over their own economic destinies.

Today there are more than 9,000 Federal credit unions operating in the United States and its Territories and possessions, including the District of Columbia, with a membership of over 5 million. Although the Federal Credit Union Act has been law for only 25 of the 50 years credit unions have operated in the United States, almost half of the 20,000 credit unions which have been organized in this country have been chartered by the Federal Government.

As of December 31, 1958, Federal credit unions had assets estimated at more than \$2 billion and are growing at a rate of approximately \$300 million each year. It is also important to note that during the past 25 years, less than one-fifth of 1 percent of the dollar amount loans made by Federal credit unions have been charged off as losses.

AMENDMENTS TO FEDERAL CREDIT UNION ACT

Although the Federal Credit Union Act has proven to be a remarkably effective instrument during the 25 years in which it has operated, it has not kept pace in many respects with the changes in our economy and the evolving needs of credit unions and their members which have risen during this period. Accordingly the committee is recommending a series of specific amendments which are designed to bring the act in tune with today's economy. The effect of these changes and the reasons for proposing them are discussed in the following paragraphs.

LOAN MATURITY

Section 7(5) of the act is changed to raise the maximum maturity for loans by Federal credit unions from 3 years to 5 years, and to give the Bureau of Federal Credit Unions authority to regulate amortization of loans. This amendment would allow Federal credit unions to more adequately meet the demands of their members for various types of loans. For instance, a 5-year loan maturity on home repair

and modernization loans would be more feasible for many credit union members. Also, there are many occasions when a credit union member has suffered a series of financial catastrophes and wishes to borrow additional funds or consolidate his debts but is realistically unable to liquidate such an obligation within a 3-year period. Under these conditions, if the member is of sound character, the credit union often wishes to extend a longer term loan. Such loans can be a sound use of credit and are consistent with the fundamental purposes and goals of credit unions.

The Director of the Bureau of Federal Credit Unions testified that he had no objection to this extension of loan maturities, but pointed out that the key to proper liquidity and solvency is the systematic amortization of loan receivables. At the Director's suggestion, your committee added to section 7(5) authority for the Director to prescribe rules and regulations governing loan amortization, with the limitation that he may not require payments more frequently than annually.

LOANS TO DIRECTORS

Section 7(5) is also amended to raise the limit on loans a Federal credit union may make to its directors and members of its supervisory committee or credit committee. The act now limits such loans to the amount of the shareholdings of the director or member concerned. The amendment raises the limit to cover, in addition, the amount of any shareholdings of any other member of the credit union that are pledged as security for the loan. The present limit in the act places a hardship on those officials who are willing to render volunteer service but have the same credit needs as other members of the credit union. Testimony before your committee indicated many credit union officials have been forced to resign from office because they required a loan in excess of their personal shareholdings. Also, many capable and experienced members are reluctant to assume office due to the present restrictions. As a result, credit unions often lose the benefit of the most capable leadership. This weakness would be remedied to a large degree by the proposed liberalization, and at the same time due regard for the safety of the funds of the credit union would be retained.

AUTHORITY TO CASH AND SELL CHECKS

A new section 7(12) is added to the act to authorize a Federal credit union to cash and sell checks for a fee, as a service to members of the credit union. Under present law, cashing and selling checks is not authorized, except in connection with some other transaction the credit union has authority to carry out. The Director of the Bureau has ruled that Federal credit unions may not charge a fee for cashing or selling checks. Credit unions throughout the country had been engaged in this activity and the ruling has created considerable hardship. The activity, which is desired and requested by the members, results in certain direct and indirect costs. It is only fair and equitable that these costs should be borne by those directly availing themselves of the service rather than by the general membership. This principle has been accepted by the credit unions directly involved and as the owners of the credit unions, they should have the right to provide this service for themselves.

SUPERVISORY COMMITTEE

Sections 12 and 16 include changes relating to the supervisory committee, one of the three bodies established by law to manage Federal credit unions. Under present law, the supervisory committee is elected by the members of the credit union; the bill would change this to provide for appointment by the credit union's board of directors, and would bar the treasurer of the credit union from serving on the supervisory committee. It would further provide the members of the supervisory committee may be suspended by the board of directors, subject to approval of the membership.

The board of directors has the responsibility for the general direction and control of the affairs of the credit union. The present law limits its ability to properly discharge this responsibility in instances where an elected supervisory committee is not functioning in an effective manner and in accordance with prescribed procedure. The recommended changes would allow for the appointment of qualified persons to the committee by the board and would charge the board with more direct responsibility for supervisory committee performance.

OFFICERS

Section 13 is amended to authorize election of one or more vice presidents of a Federal credit union (present law authorizes only one); change the title of "clerk" to "secretary"; and provide that no executive officer other than the treasurer may be paid for his services (this conforms with existing practice). The authorization of additional vice presidents would be of particular significance to credit unions which require an additional cosignatory on checks. The change in title from "clerk" to "secretary" would be more descriptive of the function of the position, and add dignity and stature to the office. The amendment specifying that the executive officers other than the treasurer shall serve without pay would write into law a long-standing principle of credit union operations. This principle is now embodied in the standard bylaws, which must be approved by the Bureau; but your committee feels that it should be embodied in the law itself.

DELEGATION OF FUNCTIONS OF BOARD OF DIRECTORS

Section 14 is amended to authorize the board of directors to appoint an executive committee of not less than three directors, to act for the board in buying and selling securities, making loans to other credit unions, or approving applications for membership. The function of approving membership applications could be delegated, instead, to a membership officer appointed by the board of directors from among the members of the credit union (excluding the treasurer or any assistant treasurer or loan officer). The board of directors usually meets only once a month. These changes would allow action more promptly in limited areas, where authorized by the board. Thus, credit unions could make their services and benefits available more quickly to applicants for membership, either by authorizing applications to be approved by the executive committee, or by appointing a membership officer for that purpose. Similarly, investments and loans to other credit unions could be handled more effectively under the new amendment.

COMPENSATION FOR EMPLOYEES

Section 14 would also authorize the board of directors to provide for compensation for loan officers (a new position created by sec. 15, explained below) and necessary clerical and auditing assistance requested by the supervisory committee. This would assist the supervisory committee in functioning more effectively. This committee, which is charged with the responsibility for making regular internal audits of the credit union, often requires outside assistance. Compensation for loan officers who would take some of the burden off the credit committee is based upon the same principle.

LOAN OFFICERS

Section 15 is amended to provide for appointment by the credit committee of one or more loan officers to approve loans up to the unsecured loan limit, or over the limit if the excess is fully secured by unpledged shares. Under present law all loans must be approved by the credit committee. This amendment would provide a realistic, practicable means of reducing the burden upon the credit committee in credit unions having a large and continually increasing volume of loan activity. Also, due to the fact that the committee, which is not compensated, is often scattered and finds it difficult to meet frequently and on short notice, proper consideration and prompt loan service in emergencies is not feasible. A loan officer would be in a position to move quickly in instances of this nature. The credit committee would be fully apprised of his activities since he would be required to furnish them with a record of all loan applications approved and of loan applications not approved within 7 days of such action. Loan applications not approved by the loan officer would be acted on by the credit committee. If it desired to do so, the credit committee could appoint the treasurer or an assistant treasurer as loan officer.

UNSECURED LOAN LIMIT

Section 15 is also amended to raise the unsecured loan limit from \$400 to \$1,000. This change would allow credit unions more effectively to satisfy the consumer credit needs of the expanding credit union membership. Congress has progressively increased this limit from \$50 initially in the original act to \$100 in 1940, \$300 in 1946, and \$400 in 1949. The experience of Federal credit unions on loans of this type has been very good over the years, and it is felt that the rising cost of commodities and services, coupled with the progressive growth in knowledge on the part of credit unions of the character and financial responsibility of their members, warrants the requested increase in the signature loan limit.

DIVIDENDS

Section 18 is rewritten to authorize the board of directors to declare dividends (the law now requires action by the membership at the annual meeting); authorize semiannual dividends (now only annual dividends are allowed); and allow dividend credit for a month on shares paid up during the first 5 days of the month (now limited to shares paid up before month begins).

The function of declaring dividends should be placed in the body which is primarily responsible for the management and sound operation of the credit union. Also, it is in the best position to determine the size of the dividend which should be distributed, based upon its intimate knowledge of the organization's affairs and its current and future needs.

The current requirement that dividends be paid annually often penalizes members who are forced to withdraw shareholdings prior to the year end, thereby losing the dividend. Adoption of the alternate plan would be optional with each currently operating credit union and would require an appropriate amendment to the bylaws. Newly chartered credit unions would have an initial choice.

Dividend credit should be allowed for the month on the accounts of members who do not receive their compensation until the last day of the previous month or the first day of the current month and find it impractical to make share payments immediately. Dividend credit under the current law would not commence until the following month. The proposed amendment eliminates this inequity and provides an additional incentive for saving.

SPACE IN FEDERAL BUILDINGS

Section 25 of the act as rewritten relates to use by State or Federal credit unions of space in Federal buildings. The law now authorizes allotment of available space without charge to credit unions composed entirely of Federal employees and their families. The bill would broaden this authority to cover credit unions 95 percent of whose members are Federal employees or were when admitted to membership, or are members of their families. This would allow credit unions to continue membership of retired Federal employees and members who leave Government service without jeopardizing the credit union's eligibility for space in Federal buildings. Also, it would allow such credit unions to continue their eligibility although membership is extended to a limited number of employees of private contractors working on Federal installations along with Federal employees, and to American Legion and Red Cross personnel working at veterans' hospitals, etc.

CONVERSIONS

Section 26 is a new section covering conversion of credit unions from State to Federal charter and vice versa. Conversion from Federal to State charter would require the affirmative vote of a majority of the members, plus compliance with State procedures for obtaining a State charter. Conversion from State to Federal charter would require compliance with applicable State law and with the provisions of the Federal act. Under certain circumstances conversion of its charter may be deemed advisable by a credit union and acceptable to the supervisory agencies involved. Special authority appears warranted which would facilitate the procedure of converting a credit union from a Federal to a State charter and vice versa without dissipation of reserves or undue disruption of normal service to the credit union members.

TERRITORIAL APPLICABILITY

Section 27 is amended to provide that the Federal Credit Union Act shall apply to the several States, the District of Columbia, the Territories and possessions, the Canal Zone, and Puerto Rico. This would substitute a general statement for the existing provision which specifically covers the Canal Zone and the Virgin Islands. Thus, it would eliminate the need for future amendments of this type.

ROBBERY AND INCIDENTAL CRIMES

Section 2113 of title 18 of the United States Code now makes it a Federal offense to rob any bank or savings and loan chartered or insured by the Federal Government and any bank that is a member of the Federal Reserve system. The section also covers other incidental crimes against such banks and savings and loan associations. The bill amends this section to cover Federal credit unions, as well.

CENTRAL CREDIT UNIONS

Many of the witnesses appearing in behalf of this legislation urged that the act be amended so as to provide for the chartering of Federal central credit unions. These witnesses suggested that there is a real need for central credit unions which can act as a source of additional funds and as an investment medium for Federal credit unions in a particular geographical area. They pointed out that the achievements of State-chartered central credit unions attest to the need for this change in the Federal Credit Union Act. The Director, Bureau of Federal Credit Unions, however, testified that he did not believe such legislation desirable or necessary.

The objective of distributing savings throughout a group of credit unions so as to avoid situations where funds lie fallow in some credit unions while others lack funds to make loans is certainly a worthy one. At the same time, we must make sure that any system devised to meet this objective does not involve any unnecessary risk for those who entrust their savings to their local credit unions. We must make sure, too, that if a new institution is created to make loans to officers reasonable precautions are taken to avoid possible abuses resulting from conflicts of interest between officers and members of credit unions. Your committee was not satisfied that the central credit union provisions of H.R. 5777 had been perfected to the point where these conditions were met. Accordingly, your committee did not include provisions for central credit unions in the bill as reported. Instead, the bill contains a provision (sec. 3) directing the Bureau of Federal Credit Unions to consider these problems and present a draft proposal which will include sufficient guidelines and safeguards to insure protection of the members of local credit unions as well as sufficient powers to permit Federal central credit unions to function effectively. Under section 3, this proposal must be presented to Congress by January 15, 1960.

SUPPLEMENTAL VIEWS OF MESSRS. PATMAN, REUSS, BARR, MILLER, AND JOHNSON

We join in support of the bill because it makes many improvements in the Federal Credit Union Act. However, we urge the retention of the provisions that had been approved after careful consideration by the Subcommittee No. 3. These were amendments to the Federal Credit Union Act to—

(1) permit the charter and operation of Federal central credit unions.

(2) permit investment by Federal credit unions in the shares of Federal- and State-chartered central credit unions.

The testimony at the hearings gives ample explanation of, and support for, Federal central credit unions. For example, on page 9, Julius Stone, first vice president of CUNA and chairman of its legal and legislative committee, from Massachusetts, supported Federal centrals as follows:

Mr. STONE. * * * central credit unions can fill a real pressing need by obtaining existing surplus credit-union funds and making them available to credit unions whose only cash resources are temporarily inadequate. There are normal seasonal patterns of borrowing and savings of the various types of credit unions and these seasonal factors are responsible for most such occurrences.

For example, teacher credit unions tend to find their savings falling off during the summer vacation months, while borrowing requests frequently increase.

In other types of industry, credit unions have their peak flow of savings during the summer months, but tend to be seasonally short of funds during the winter months.

By balancing off these peaks and valleys, Federal central credit unions would impart additional financial strength and stability to credit unions, merely by utilizing the resources the credit unions have already mobilized.

Federal central credit unions can also impart additional strength to credit unions located in depressed areas. Where plant closings have occurred and unemployment is relatively high, the individual credit unions are prepared to assist their members during their time of need and have done so to the benefit of both the member and the credit union.

However, in plants where employment is declining, member savings tend to be withdrawn limiting the lending power of the credit union and its power to serve as a bastion of stability.

The Federal central credit unions in these circumstances could fill an important need by lending funds generated by other credit unions which are members of the Federal central credit union. In this way individual credit unions could

marshal additional funds and thereby assist not only its members but through them the entire economy of the depressed area.

I think when the gentleman from Michigan, who has accompanied me, testifies, he will bring to you an interesting story of the service which the credit unions in that area rendered to government employees of the State of Michigan who found themselves in a difficult condition because the State did not have the money to meet its payroll, and I think you will find in that story perhaps one of the good reasons why you should be particularly interested in this amendment, as well as the fine record of achievement of service to people in time of need which the credit unions in Michigan rendered, only a few weeks ago.

Mr. James J. Girvan, a Railway Express employee with their credit union, in the Philadelphia area, expressed his views as follows (pp. 32-34):

* * * * *

At the present time there are in operation Federal credit unions whose membership is restricted to directors and credit and supervisory committee members of both Federal and State credit unions and are commonly known as officer credit unions. These credit unions are restricted to operational areas within a State or a portion of a State.

Their share capital can be obtained only from these eligible directors and committee members, who are restricted as to loans in their own credit unions where they hold office to an amount equal to their own shares.

Although these officer credit unions endeavor to serve the credit needs of their membership, the funds available for this purpose are limited since the directors and committeemen that make up the membership prefer to purchase shares in their own primary credit union. Therefore, these officer credit unions have a very limited ability to serve their credit function. An additional source of funds is essential in order to remove a currently existing serious obstacle to the recruitment of the best qualified individuals to serve as credit union officials, due to loan restrictions on their own credit unions. This need can best be answered by the proposed Federal central credit unions.

The Federal central credit union can also serve as a very effective medium for satisfying the credit needs of the individual credit unions. Federal credit unions have the privilege in the present law of borrowing up to 50 percent of their unimpaired capital and surplus. This provision is designed to enable them to borrow to meet the loan demand of their own members when the accumulation of shares is less than their credit needs. In some credit unions this is a constantly recurring situation. However, in attempting to borrow for this purpose, many credit unions experience a serious problem due to the reluctance of other financial institutions to make loans to credit unions and the difficulty, delay, and restrictions applicable to such loans when made by such institutions.

As a result, credit unions desiring to use their borrowing privileges must often seek loans from other credit unions. In so doing they frequently encounter the experience of being forced to make a number of loans in small amounts from several credit unions.

I should like to point out at this time that in the Philadelphia area we have 234 credit unions. When we desire to borrow from any one of them, it may be necessary to make 25 to 30 telephone calls before we find a credit union with funds available for loans. The enactment of this change would eliminate that deplorable condition—most disturbing, at least, condition.

This is caused by the fact that credit unions with funds in excess of their own member needs find it a desirable and provident business procedure to invest their funds in U.S. Government bonds and obligations and in other insured savings and loan institutions. In this manner they obtain some return on extra funds while retaining a reasonable amount of cash on hand to meet their own needs.

To redeem these investments in order to assist another credit union with a loan could result in a reduction in cash value in some instances and a loss of dividend or interest earnings in others. Therefore, the funds of other credit unions are not readily available for loans to other credit unions. * * *

There are currently in existence State central credit unions within some States which operate under State law. The proposed revision of the Federal Credit Union Act would permit Federal credit unions to avail themselves of the share and loan facilities of such currently operating State central credit unions and also provide for establishment of Federal central credit unions to serve in the same manner in areas where State central credit unions are not permissible under existing laws.

The State central credit unions currently functioning have more than justified their existence in terms of achievement. There appears to be no theoretical or practical justification for not authorizing the establishment of Federal central credit unions where needed in order that Federal credit unions may also benefit from this mode of operation.

To sum up, the function of Federal central credit unions would be to accept credit union surplus funds for the purpose of making loans to credit unions and to officials of credit unions in need of credit.

The proposed Federal central credit unions would provide for a cooperative structure which has a very much needed and proper position in the true mutual purpose of credit unions.

The proposed Federal central credit unions could be established only by authorization of the supervising agency and would function within a well-defined geographical area.

The proposed Federal central credit unions would provide a medium for the mutual use of funds in the interest of the members of many credit unions, and eliminate existing

handicaps created by conditions not within the control of the credit unions * * *

Congressman Abraham Multer testified before the committee, at page 99, as follows:

The important changes sought to be accomplished, other than mere form are increasing the lending authority of the credit unions, giving them authority to operate more smoothly, permitting them to have paid employees under certain circumstances * * * certain services that are necessary to the smooth operation of a credit union—setting up a so-called central credit union, and let me indicate that that is not new in the credit union movement. Many States have already done just that. They have set up central credit unions within each State, which central credit unions are of assistance to the credit unions organized under State law, as well as to the officers and committeemen who operate, and the directors, who operate the credit unions. The central credit union is a source of credit to officers and directors of credit unions who could not qualify under the law to borrow from their own credit union, because that would involve self-dealing. So they have set up these central credit unions within the States to make credit available to those men if and when they need it, and the provision in the Patman and Multer bills would do the same thing on the Federal level. * * *

George Riley, representing the AFL-CIO, supported Federal central credit unions as follows (pp. 103-104):

* * * We also support the amendment which would authorize the chartering of Federal central credit unions made up of local credit unions within a particular geographical area, or which could include as individual members, directors and committee members of credit unions.

Both the stability and the loan flexibility of individual credit unions would be enhanced by the availability of a central source of credit representing the combined resources of the member unions within geographical areas. The territorial basis, in each case, would be voluntarily established by those unions wishing to join together and thus would be tailored to local economic realities.

Under present law, of course, credit unions can and do borrow from each other. But the efficiency and safety of borrowing procedures would be much improved by the mechanism of a central organization in which the member unions own shares and which would be able to muster larger resources to meet special borrowing needs which cannot always be met by other lending institutions.

For example, in a particular locality where one or more industries may be hit by a recession causing much unemployment, local credit unions are under severe demands for cash withdrawals and loans to meet acute personal needs. The credit union is often the only source of credit for a person temporarily out of a job. The credit union in turn may find

its borrowing opportunities limited, but with the availability of additional credit from a central organization of its own, it can weather the economic distress.

Then, again, workers employed on a seasonal basis may make severe demands on credit union facilities during certain periods of the year. Central credit unions would ease the strain of widely fluctuating credit demands on the part of particular memberships. Or in areas suddenly visited by flood or other disaster, forcing members out of their homes, their jobs or both, the need for additional credit union reserves may be vital.

We urge the authorization of Federal central credit unions. Some State laws—Michigan is one example—currently do make provision for central credit unions in which State-chartered unions can be members. Federally chartered unions, however, cannot fully participate in these central unions, nor is there other provision for a central credit union they can belong to.

A second purpose of the amendment for Federal central credit unions is to provide full credit union facilities to officers and committee members of local credit unions. These individuals, as persons with direct influence over the policies of the credit unions in which they officiate, are rigidly restricted as to amounts they may borrow from their own organizations. By allowing such officials to participate in a separate central credit union, they may exercise normal borrowing powers without undergoing special personal disadvantage in order to volunteer their energies in service to their own local credit organizations. * * *

The Director of the Bureau of Federal Credit Unions, J. Deane Gannon, objected (hearings, p. 127) to permitting unlimited investment by Federal credit unions in shares of central credit unions. The bill considered by the full committee, therefore, restricted those investments to a "total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus." Thus, a reasonable limit was set that would meet the specific objection of the Director.

There are 26 Federal *officer* credit unions now chartered throughout the country. These credit unions seek to meet the need of officers of other Federal credit unions. These are a form of central credit unions. This is firm evidence that the principle of Federal credit unions is a well-established one.

Central credit unions are by no means a new or untested type of institution. It is a principle well established in basic law by the State credit unions. There are presently some 54 central credit unions among the various States. The identities of each are listed in an appendix to our supplemental views.

Central credit unions, chartered and supervised by various States, have proved to be an excellent method of solving many difficult problems that credit unions today face. These two provisions relating to Federal central credit unions were modeled after the existing laws regulating State-chartered central credit unions.

This well-documented history of success with central credit unions, without blemish or scandal, and the carefully reasoned analysis by witnesses before the subcommittee detailing the needs for such pro-

visions, was brushed aside by the full committee on the ground that it might permit "self-dealing" (officers loaning to themselves improperly, etc.). Like many such phrases, it sounds very ominous. However, the phrase is completely without substance. The fact is, and we wish to emphasize this point, *that the same legal restrictions and safeguards applying to any local credit will apply equally to central credit unions.* The specific restrictions imposed by this bill apply equally to officers of *any* credit union whether local or central. Since existing restrictions have proved ample to control the activities of officers of local credit unions, and since no objections have been raised to the administration of local credit unions, we fail to understand how similar restrictions could be deemed objectionable when applied to officers of central credit unions.

The proposed Federal central credit union was designed to fulfil two significant functions:

(1) Federal central credit unions would act as a clearinghouse for surplus credit union funds, receiving funds from credit unions with a temporary surplus and lending these funds to other credit unions experiencing heavy loan demands. The smaller credit unions with fewer sources of credit tend to experience greater problems when attempting to borrow funds than do the larger credit unions. Although the larger credit unions may have excellent financial relationships with commercial banks or other financial institutions, many smaller or medium size credit unions experience undue delay, excessive cost, or, in many cases, face outright refusal in having their borrowing requests fulfilled by existing financial institutions.

Federal credit unions may now borrow from others only by a lengthy, time-consuming, and difficult process. These provisions will relieve officers of this groundless and burdensome work.

There are a number of specific reasons why Federal credit unions need to have this additional source from which they can borrow funds.

(a) Most Federal credit unions experience seasonal and cyclical needs for additional funds, even with a membership composed of individuals who enjoy regular incomes. For instance, credit unions organized in industrial plants where employment is regular and where the membership receive their incomes regularly, still face seasonal demands for loans (at Christmas, Easter, etc.). These credit unions need to be able to borrow additional funds to meet these legitimate loan demands.

(b) Many Federal credit unions are organized among groups which receive irregular incomes such as those serving farmers or teachers. In addition to the normal seasonal needs for extra funds, these credit unions, to function effectively, need additional sources of funds to cope with the problems of large swings in their total share accounts and loan demands.

(c) Other reasons are: an industrial plant within which a credit union is organized is temporarily shut down, or there are layoffs of a substantial number of employees, or there may be some sort of disaster such as a flood or fire in the local community. In these cases members will be withdrawing shares from the credit union, while at the same time, the credit union is experiencing increased loan demands because of the financial difficulties of its members. In these types of cases it is often very difficult for these credit unions to be able to borrow the funds they need to serve their members effectively.

On the other hand many credit unions have chronic surpluses of funds. Many such credit unions operating under State charter are presently investing some part of these surplus funds in State chartered central credit unions and providing the capital for the effective operation of these central credit unions.

(2) Federal credit unions would provide mechanism for meeting the borrowing needs of credit union officers whose indebtedness to their credit unions is presently limited to the amount of their share accounts. The bill ordered reported by the Banking and Currency Committee would permit credit union officers to borrow from their credit unions up to the amount of their shareholdings, plus the total unencumbered and unpledged shareholdings in the credit union of any member pledged as security for the obligation of such directors or committee members. This seems to be a reasonable restriction upon the directors and committee members of a credit union. However, by accepting a position as an officer in a credit union, the member in effect gives up some of the privileges of membership in that credit union. With Federal credit unions having a rather extensive officer turnover the limitation on officers borrowing deters many members from accepting the responsibility of being a credit union officer. Thus, it is obvious that there is need for some type of credit union which can serve the credit needs of credit union officers. While Federal credit unions to serve officers have been chartered ("officer credit unions"), they have frequently been unable to attract adequate funds to serve their officer members' credit needs because of the restrictions against Federal credit unions investing shares in these central credit unions.

The testimony before the subcommittee was overwhelmingly on one side of this issue. The experience of the States which have central credit unions is overwhelmingly favorable. The same safeguards which apply to the operations of local credit unions would also apply to central credit unions. There is no reason for the Federal law to fail to include permissive provision for such central credit unions. These central credit unions are serving useful purposes in those States where they are now in operation; they would serve similar useful purposes for Federal credit unions, their members, and their officers.

We see no reason to delay consideration of this amendment. In the first place, it has already been thoroughly considered by the subcommittee. In the second place, this entire bill has been viewed as a recodification of the Federal Credit Union Act. If these provisions are considered later in a separate bill, it will take amendments at eight separate places in the recodification to replace what was deleted by a close vote in the committee.

The delays and difficulties in the path of considering this matter in separate legislation are too well known to need amplification here. The time to wrap up a complete Federal Credit Union Code is now, at the time of recodification.

We believe that the measure should be amended to reinstate provisions for the chartering and operation of Federal central credit unions.

WRIGHT PATMAN.
HENRY S. REUSS.
JOSEPH W. BARR.
CLEM MILLER.
BYRON L. JOHNSON.

APPENDIX TO SUPPLEMENTAL VIEWS

FEDERAL OFFICER CREDIT UNIONS

CENTRAL CREDIT UNIONS

Connecticut League Federal Credit Union, Kensington, Conn.	Central New York Officers Federal Credit Union, Utica, N.Y.
League Central Federal Credit Union, Washington, D.C.	Cleveland Chapter Federal Credit Union, Cleveland, Ohio.
Hawaii Central Federal Credit Union, Honolulu, Hawaii	Miami Valley Chapter Federal Credit Union, Dayton, Ohio.
Central Federal Credit Union, Indianapolis, Ind.	Toledo Officers Federal Credit Union, Toledo, Ohio.
Kansas Federal Credit Union, Wichita, Kans.	Erie Officers Federal Credit Union, Erie, Pa.
Maine League Federal Credit Union, Portland, Maine.	Pacedoc Federal Credit Union, Harrisburg, Pa.
Massachusetts Officers Federal Credit Union, Boston, Mass.	Pittsburgh Officers Federal Credit Union, Pittsburgh, Pa.
Nebraska League Federal Credit Union, Omaha, Nebr.	South Dakota Federal Credit Union, Sioux Falls, S. Dak.
New Jersey Officers Federal Credit Union, Roselle, N.J.	Tennessee League Federal Credit Union, Memphis, Tenn.
Western New York Federal Credit Union, Buffalo, N.Y.	Texas Federal Credit Union, Dallas, Tex.
Jamestown Officers Federal Credit Union, Jamestown, N.Y.	West Virginia League Federal Credit Union, Bluefield, W. Va.
Greater New York Federal Credit Union, New York, N.Y.	Wyoming Central Federal Credit Union, Cheyenne, Wyo.
Eastern New York Officers Federal Credit Union, Schenectady, N.Y.	Delaware Central Federal Credit Union, Brookside-Newark-Delaware.

STATE CENTRAL CREDIT UNIONS

- Alabama Central Credit Union, Birmingham, Ala.
 Arizona Central Credit Union, Phoenix, Ariz.
 Southern Arizona Credit Union, Tucson, Ariz.
 State Central Credit Union, Little Rock, Ark.
 Central Credit Union of California, Oakland, Calif.
 South California Central Credit Union, Los Angeles, Calif.
 Central Credit Union of San Diego, San Diego, Calif.
 Colorado Central Credit Union, Denver, Colo.
 Florida League Credit Union, Jacksonville, Fla.
 Florida Central Credit Union, Miami, Fla.
 Tampa Central Credit Union, Tampa, Fla.
 Georgia League Credit Union, Atlanta, Ga.
 Idaho Central Credit Union, Pocatello, Idaho.
 Bloomington Chapter Credit Union, Bloomington, Ill.
 John L. Kelly Chapter Credit Union, Champaign, Ill.
 ICUL Credit Union, Chicago, Ill.
 Vermilion County Chapter Credit Union, Danville, Ill.
 Central Illinois Chapter Credit Union, Decatur, Ill.
 Southern Illinois Directors Credit Union, East St. Louis, Ill.
 Will County Chapter Credit Union, Joliet, Ill.
 Kankakee Chapter Credit Union, Kankakee, Ill.
 Harry O. Perlee Chapter Credit Union, Loves Park, Ill.
 Tri-County Chapter Credit Union, Ottawa, Ill.
 Peoria Chapter Credit Union, Peoria, Ill.
 Quincy Chapter Credit Union, Quincy, Ill.
 Mississippi Valley Chapter Credit Union, Silvis, Ill.
 Springfield Chapter Credit Union, Springfield, Ill.
 Mississippi Valley Chapter Credit Union, Davenport, Iowa.
 First Iowa Credit Union, Des Moines, Iowa.
 Kansas Central Credit Union, Wichita, Kans.
 Kentucky Central Credit Union, Inc., Louisville, Ky.
 League Central Credit Union, New Orleans, La.
 Central Credit Union of Maryland, Baltimore, Md.
 Central Credit Union of Michigan, Detroit, Mich.
 Minnesota Central Credit Union, St. Paul, Minn.
 Mississippi League Central Credit Union, Jackson, Miss.
 Missouri State Credit Union, Kansas City, Mo.
 St. Louis Mutual Credit Union, St. Louis, Mo.
 Montana Central Credit Union, Great Falls, Mont.
 New Mexico Central Credit Union, Albuquerque, N. Mex.
 League Central Credit Union, Greensboro, N.C.
 North Dakota Central Credit Union, Jamestown, N. Dak.
 Cincinnati Chapter Credit Union, Cincinnati, Ohio.
 Ohio Central Credit Union, Inc., Columbus, Ohio.
 Central Credit Union, Tulsa, Okla.
 Oregon Central Credit Union, Portland, Ore.
 League Credit Union, Providence, R.I.
 Chattanooga Area Credit Union, Chattanooga, Tenn.
 Utah Central Credit Union, Salt Lake City, Utah.
 Vermont Credit Union League Central Credit Union, Windsor, Vt.
 Virginia League Central Credit Union, Lynchburg, Va.
 Washington Central Credit Union, Seattle, Wash.
 CUNA Credit Union, Madison, Wis.
 State Central Credit Union, Milwaukee, Wis.
 Sequoia Central Credit Union, Fresno, Calif.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

NOTE.—For the information of the Members of the House, functions of the Farm Credit Administration and the Governor thereof were transferred to the Bureau of Farm Credit Unions and the Director thereof, respectively, under the jurisdiction of the Federal Security Agency, by act of June 29, 1948 (62 Stat. 1091). The Federal Security Agency was abolished and functions transferred to the Department of Health, Education, and Welfare by 1953 Reorganization Plan No. 1 (67 Stat. 632).

FEDERAL CREDIT UNION ACT

SHORT TITLE

[That this] SECTION 1. *This Act may be cited as the “Federal Credit Union Act.”*

DEFINITIONS

SEC. 2. **[A Federal credit union is hereby defined as a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes. When used in this Act the term “Bureau” means Bureau of Federal Credit Unions, and the term “Director” means the Director thereof.]** *As used in this Act—*

(1) *the term “Federal credit union” means a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes;*

(2) *the term “Bureau” means the Bureau of Federal Credit Unions; and*

(3) *the term “Director” means the Director of the Bureau of Federal Credit Unions.*

CREATION OF BUREAU

SEC. 3. *There shall be in the Department of Health, Education and Welfare a Bureau of Federal Credit Unions, which shall be under the supervision of a Director appointed by the Secretary of Health, Education, and Welfare. The Bureau of Federal Credit Unions and the Director shall be under the general direction and supervision of the Secretary.*

FEDERAL CREDIT UNION ORGANIZATION

SEC. **[3.]** 4. Any seven or more natural persons who desire to form a Federal credit union shall subscribe before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—

(1) **[The]** *the name of the association [.]*;

(2) **[The]** *the location of the proposed Federal credit union and the territory in which it will operate [.]*;

(3) **[The]** *the* names and addresses of the subscribers to the certificate and the number of shares subscribed by each **[.]**;

(4) **[The]** *the* par value of the shares, which shall be \$5 each **[.]**;

(5) **[The]** *the* proposed field of membership, specified in detail **[.]**;

(6) **[The]** *the* term of the existence of the corporation, which may be perpetual **[.]**; and

(7) **[The]** *the* fact that the certificate is made to enable such persons to avail themselves of the advantages of this Act.

Such organization certificate may also contain any provisions approved by the Director for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders.

APPROVAL OF ORGANIZATION CERTIFICATE

SEC. **[4.]** 5. **[Any such]** *The* organization certificate shall be presented to the Director for approval. **[Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all the liabilities conferred and imposed by this Act upon corporations organized hereunder.]** Before any organization certificate is approved, an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this Act; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Director, it shall be the charter of the corporation, and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. *Upon such approval the Federal credit union shall be a body corporate, and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all the liabilities conferred and imposed by this Act upon corporations organized hereunder.*

FEEES

SEC. **[5.]** 6. For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved, the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Director, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. Not later than January 31 of each calendar year, each Federal credit union shall pay to the Bureau **[of Federal Credit Union]**, for the preceding calendar year, a supervision fee in accordance with a graduated scale prescribed by regulation on the basis of assets as of December 31 of such preceding year, but such fee shall in no event be less

than \$10 nor [(subject to such minimum)] more than the [amounts] applicable amount specified in the following table:

Total assets	Maximum fee
\$500,000 or less	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

[Provided, however, That no such annual fee shall be payable by such an organization with respect to the year in which its charter is issued, or the year in which final distribution is made in liquidation of the credit union or the charter is otherwise canceled.] All such fees shall be deposited with the Treasurer of the United States for the account of the Bureau and may be expended by the Director for such [administrative and] *administrative, supervisory, and* other expenses incurred in carrying out the provisions [hereof] of this Act as he may determine to be proper, the purpose of such fees being to defray [as far as practicable, the administrative and supervisory costs incident to the carrying out of this Act] *such expenses as far as practicable. No annual supervision fee shall be payable by a Federal credit union with respect to the year in which its charter is issued, or in which final distribution is made in its liquidation or the charter is otherwise canceled.*

REPORTS AND EXAMINATIONS

SEC. [6.] 7. Federal credit unions shall be under the supervision of the Director, and shall make [such] financial reports to him [(at least annually) as he may require] *as and when he may require, but at least annually.* Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to, any person designated by the Director. The Director shall fix a scale of examination fees to be paid by the Federal credit unions, giving due consideration to the time and expense incident to such examinations, and to the ability of Federal credit unions to pay such fees, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of such examination. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section [5] 6 hereof, and shall be available for the purposes specified in [said section 5] *such section.*

POWERS

SEC. [7.] 8. A Federal credit union shall have succession in its corporate name during its existence and shall have power—

- (1) [To] to make contracts [.] ;
- (2) [To] to sue and be sued [.] ;
- (3) [To] to adopt and use a common seal and alter the same at pleasure [.] ;

(4) **[To]** to purchase, hold, and dispose of property necessary **[and]** or incidental to its operations **[.]**;

(5) **[To]** to make loans with maturities not exceeding **[three]** five years to its members for provident or productive purposes upon such terms and conditions as this Act and **[the]** its bylaws provide and as the credit committee or a loan officer may approve, at rates of interest not exceeding 1 per centum per month on unpaid **[balances (inclusive)]** *balances, inclusive* of all charges incident to making the loans **[]**: *Provided, That* **[except that]** no loans to a director **[, officer,]** or member of **[a]** *the supervisory or credit committee* shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof *plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member.* No director **[, officer, or committee member]** or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this **[subsection]** *paragraph*; when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. **[In case the greater rate of interest]** *If such greater rate of interest* has been paid, the person by whom it has been paid, or his legal representatives, may recover back *from the credit union taking or receiving the same*, in an action in the nature of an action of debt, the entire amount of interest **[thus paid from the credit union taking or receiving the same:** *Provided, That* **] paid; but** such action is commenced within two years from the time the usurious **[transaction occurred.]** *collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Director after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such other factors as the Director deems relevant, but such rules and regulations shall not require payments more frequently than annually;*

(6) **[To]** to receive from its members payments on shares **[.]**;

(7) **[To]** to invest its funds **[(a)]** (A) in loans exclusively to members; **[(b)]** (B) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; **[(c)]** (C) in accordance with rules and regulations prescribed by the Director, loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; **[(d) or]** (D) in shares or accounts of **[Federal]** savings and loan associations, **[and in shares or accounts of any other institution]** the accounts of which are insured by the Federal Savings and Loan Insurance Corporation**[.]**;

(8) **[To]** to make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business **[.]**;

(9) **[To]** to borrow **[(from any source)]** *in accordance with such rules and regulations as may be prescribed by the Director,*

from any source, in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: *Provided*, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital [subject to such rules and regulations as may be prescribed by the Director.];

(10) [To] to [fine members] *levy late charges*, in accordance with the bylaws, for failure of members to meet promptly their obligations to the Federal credit union [.]

(11) [To] to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or fines payable by him [.]

(12) *in accordance with rules and regulations prescribed by the Director, to sell to members negotiable checks (including travelers checks) and money orders, and to cash checks and money orders for members for a fee which does not exceed the direct and indirect costs incident to providing such service; and*

[(12)] (13) [To] to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

BYLAWS

SEC. [8.] 9. In order to simplify the organization of Federal credit unions the Director shall [, upon the passage of this Act,] *from time to time* cause to be prepared a form of organization certificate and a form of bylaws, consistent with this Act, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Director for his approval.

MEMBERSHIP

SEC. [9.] 10. Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Director, as may be elected to membership and as *such* shall, each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that Federal credit union membership shall be limited to groups having a common bond of occupation, or association, or to groups within a well-defined neighborhood, community, or rural district. Shares may be issued in joint tenancy with right of survivorship with any [person] *persons* designated by the credit union member, but no joint tenant shall be permitted to vote, obtain loans, or hold office unless he is within the field of membership and is a qualified member.

MEMBERS' MEETINGS

SEC. [10.] 11. The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote.

MANAGEMENT

SEC. [11.] 12. [(a)] The business affairs of a Federal credit union shall be managed by a board of not less than five directors, *and* a credit committee of not less than three members, *[and a supervisory committee of three members (a majority of whom shall not be directors) all to be elected by the members (and from their number) at their annual meeting, and to hold office for such terms, respectively, as the bylaws may provide.] all to be elected at the annual members' meeting by and from the members, and by a supervisory committee of three members, one of whom may be a director other than the treasurer, to be appointed by the board. Any vacancy occurring in the supervisory committee shall be filled in the same manner as original appointments to such committee. All members of the board and of such committees shall hold office for such terms, respectively, as the bylaws may provide. A record of the names and addresses of the members of the board and such committees and of the officers of the credit union shall be filed with the Bureau within 10 days after their election or appointment. No member of the board or of either such committee shall, as such, be compensated.*

OFFICERS

[(b)] SEC. 13. At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, *[a vice president, a clerk,] one or more vice presidents, a secretary, and a treasurer, who shall be the executive officers of the corporation [and may be compensated for their services to such extent as the bylaws may provide]. No executive officer, except the treasurer, shall be compensated as such. The offices of [clerk] secretary and treasurer may be held by the same person. The duties of the officers shall be as determined by the bylaws, except that the treasurer shall be the general manager of the corporation. Before the treasurer shall enter upon his duties he shall give bond with good and sufficient surety, in an amount and character to be determined [from time to time] by the board of directors in compliance with regulations prescribed[,] from time to time[,] by the Director, conditioned upon the faithful performance of his trust.*

DIRECTORS

[(c)] SEC. 14. The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things they shall act upon applications for membership; require any officer or employee having custody of or handling funds to give bond with good and sufficient surety in an amount and character to be determined [from time to time] by the board of directors in compliance with regulations prescribed [,] from time to time [,] by the Director, and authorize the payment of the premium or premiums therefor from the funds of the Federal credit union; *[recommmend the declaration of dividends;] fill vacancies in the board and in the credit committee until successors elected at the next annual meeting have qualified; have charge of investments other than loans to members; determine from time to time the maximum number of shares that may be held by [any] an individual; subject to the*

limitations of this Act, determine the interest rates on loans and the maximum amount [that] which may be loaned with or without security to any member; [and,] subject to such regulations as may be issued by the Director, authorize an interest refund to members of record at the close of business on December 31 in proportion to the interest paid by them during [the] that year; and provide for compensation of necessary clerical and auditing assistance requested by the supervisory committee, and of loan officers appointed by the credit committee. The board may appoint an executive committee of not less than three directors to act for it in the purchase and sale of securities or the making of loans to other credit unions, or both. Such executive committee or a membership officer appointed by the board from among the members of the credit union, other than the treasurer, an assistant treasurer, or a loan officer, may be authorized by the board to approve applications for membership under such conditions as the board may prescribe; except that such committee or membership officer so authorized shall submit to the board at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require.

CREDIT COMMITTEE

[(d)] SEC. 15. The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month [(of which meetings due notice shall be given to members of the committee)] to consider applications for loans. Reasonable notice of such meetings shall be given to all members of the committee. No loan shall be made unless it is approved by a majority of the entire committee and by all [of the] members of the committee who are present at the meeting at which the application is considered; except that the credit committee may appoint one or more loan officers, and delegate to him or them the power to approve loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the credit committee. No individual shall have authority to disburse funds of the Federal credit union for any loan which has been approved by him in his capacity as a loan officer. Not more than one member of the credit committee may be appointed as a loan officer. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan shall be made to any member, except in the case of a loan by a Federal central credit union to a member credit union, which [shall cause] causes such member to become indebted to the Federal credit union in [the aggregate, upon loans made to such member, in excess of \$200 or 10 per centum of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater, or in excess of \$400 unless such excess over \$400 is adequately secured.] an aggregate amount, upon loans made to such member, which is in excess of \$200 or 10 per centum of the credit union's paid-in unimpaired capital and surplus, whichever is greater, or in excess of \$1,000 unless such excess over \$1,000 is adequately secured. For the purposes

of this [subdivision] *section* an assignment of shares or the endorsement of a note shall be deemed security.

SUPERVISORY COMMITTEE

[(e)] *Sec. 16.* The supervisory committee shall make [.] *or cause to be made*, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; *shall make or cause to be made a report of its quarterly examination to the board of directors*; shall make *or cause to be made* an annual audit, [and a report to be submitted] *a report of which shall be submitted to the members at the next annual meeting of the corporation*; [., by a unanimous vote, may suspend] *may suspend by a unanimous vote* any officer of the corporation [., or any member of the credit committee or of the board of directors, until the next members' meeting, which [said] members' meeting [., however,] shall be held [within seven days of said suspension and at which meeting said] not less than seven nor more than fourteen days after such suspension and at which meeting such suspension shall be acted upon by the members; and [., by a majority vote,] may call *by a majority vote* a special meeting of the shareholders to consider any violation of this Act, the charter, or [of] the bylaws, or any practice of the corporation deemed by the *supervisory* committee to be unsafe or unauthorized. [The said committee shall fill vacancies in its own membership until successors to be elected at the next annual meeting have qualified.] *Any member of the supervisory committee may be suspended by the board of directors. The members shall decide, at a meeting held not less than seven nor more than fourteen days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee.* The supervisory committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once very two years. As used in this [subsection] *section*, the term "passbook" shall include any book, statement of account, or other record approved by the Director for use by Federal credit unions.

RESERVES

[SEC. 12 RESERVES.—] *Sec. 17.* All entrance fees and [fines] *charges* provided by the bylaws and 20 per centum of the net earnings of each [year] *dividend period*, before the declaration of any [dividend] *dividends*, shall be set aside as a regular reserve against losses on bad loans and such other losses as may be specified in the bylaws in accordance with regulations prescribed under this Act: *Provided, however,* That when the regular reserve thus established shall equal 10 per centum of the total amount of members' shareholdings, no further transfer of net earnings to such regular reserve shall be required except that such amounts not in excess of 20 per centum of the net earnings as may be needed to maintain this 10 per centum ratio shall *continue to be transferred*. In addition to such regular reserve, special reserves to protect the interests of members shall be established when required [(a)] (1) by regulation, or [(b)] (2) in any special case, when found by the [director] *Director* to be necessary for that purpose.

DIVIDENDS

SEC. [13] 18. [At the annual meeting a dividend may be declared from the remaining net earnings on recommendation of the board of directors, which dividend shall be paid on all paid-up shares outstanding at the end of the preceding fiscal year.] *Annually or semiannually, as the bylaws may provide, and after provision for the required reserves, the board of directors may declare a dividend to be paid from the remaining net earnings. Such dividend shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during such [year] dividend period and are outstanding at the close of the period shall be entitled to a proportional part of [said] such dividend [calculated from the 1st day of the month following such payment in full]. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first five days of that month.*

EXPULSION AND WITHDRAWAL

SEC. [14] 19. A member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after an opportunity has been given him to be heard. Withdrawal or expulsion of a member shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in the manner specified in the bylaws.

MINORS

SEC. [15] 20. Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. [The] *When shares are issued in trust, the name of the beneficiary shall be disclosed to the Federal credit union.*

CERTAIN POWERS OF DIRECTOR

SEC. [16] 21. (a) The Director may prescribe rules and regulations for the administration of this Act (including, but not by way of limitation, the merger, consolidation, [and/or] *and* dissolution of corporations organized under this Act).

(b)(1) The Director may suspend or revoke the charter of any Federal credit union, or place the same in involuntary liquidation and appoint a liquidating agent therefor, upon his finding that the organization is bankrupt or insolvent or has violated any *of the* provisions of its charter, its bylaws, [or of this chapter] *this Act*, or [of] any regulations issued thereunder.

(2) The Director, through such persons as he shall designate, may examine any Federal credit union in voluntary liquidation and, upon his finding that such voluntary liquidation is not being conducted in an orderly or efficient manner or in the best interests of its members, may terminate such voluntary liquidation and place such organization in involuntary liquidation and appoint a liquidating agent therefor.

(3) Such liquidating agent shall have power and authority, subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, [(i)] (A) to receive and take

possession of the books, records, assets, and property of every description of the Federal credit union in liquidation, to sell, enforce collection of, and liquidate all such assets and property, to compound all bad or doubtful debts, and to sue in his own name or in the name of the Federal credit union in liquidation, and defend such actions as may be brought against him as liquidating agent or against the Federal credit union; [(ii)] (B) to receive, examine, and pass upon all claims against the Federal credit union in liquidation, including claims of members on shares; [(iii)] (C) to make distribution and payment to creditors and members as their interests may appear; and [(iv)] (D) to execute such documents and papers and to do such other acts and things which he may deem necessary or desirable to discharge his duties hereunder.

(4) Subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, the liquidating agent of a Federal credit union in involuntary liquidation shall [(i)] (A) cause notice to be given to creditors and members to present their claims and make legal proof thereof, which notice shall be published once a week in each of three successive weeks in a newspaper of general circulation in each county in which the Federal credit union in liquidation maintained an office or branch for the transaction of business on the date it ceased unrestricted operations[: *Provided, That*]; *except that* whenever the aggregate book value of the assets and property of a Federal credit union in involuntary liquidation is less than \$1,000, unless the Director shall find that its books and records do not contain a true and accurate record of its liabilities, he shall declare such Federal credit union in liquidation to be a "no publication" liquidation, and publication of notice to creditors and members shall not be required in such case; [(ii)] (B) from time to time make a ratable dividend on all such claims as may have been proved to his satisfaction or adjudicated in a court of competent jurisdiction and, after the assets of such organization have been liquidated, [shall] make further dividends on all claims previously proved or adjudicated[: and the liquidating agent], *and he* may accept in lieu of a formal proof of claim on behalf of any creditor or member the statement of any amount due to such creditor or member as shown on the books and records of the credit union[: *Provided, That*]; *but* all claims not filed before payment of the final dividend shall be barred and claims rejected or disallowed by the liquidating agent shall be likewise barred unless suit be instituted thereon within three months after notice of rejection or disallowance; [(iii)] (C) in a "no publication" liquidation, determine from all sources available to him, and within the limits of available funds of the Federal credit union, the amounts due to creditors and members, and after sixty days shall have elapsed from the date of his appointment[, shall] distribute the funds of the Federal credit union to creditors and members ratably and as their interests may appear.

(5) Upon certification by the liquidating agent in the case of an involuntary liquidation and upon such proof as shall be satisfactory to the Director in the case of a voluntary liquidation, that distribution has been made and that liquidation has been completed, as provided herein, the Director shall cancel the charter of such Federal credit union[: *Provided, That*]; *but* the corporate existence of the Federal credit union shall continue for a period of three years from the date of

such cancellation of its charter, during which period the liquidating agent, or his duly appointed successor, or such persons as the Director shall designate, may act on behalf of the Federal credit union for the purpose of paying, satisfying, and discharging any existing liabilities or obligations, collecting and distributing its assets, and doing all other acts required to adjust and wind up its business and affairs, and it may sue and be sued in its corporate name.

[(b)] (c) After the expiration of five years from the date of cancellation of the charter of a Federal credit union the Director may, in his discretion, destroy any or all books and records of such Federal credit union in his possession or under his control.

[(c)] (d) The Director is [hereby] authorized and empowered to execute any and all functions and perform any and all duties vested in him hereby, through such persons as he shall designate or employ; and he may delegate to any person or persons, including any institution operating under the general supervision of the Bureau, the performance and discharge of any authority, power, or function vested in him by this Act.

[(d)] (e) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Director.

[(e)] (f) The Director is [hereby] authorized to make investigations and to conduct researches and studies of the problems of persons of small means in obtaining credit at reasonable rates of interest, and of the methods and benefits of cooperative saving and lending among such persons. He is further authorized to make reports of such investigations and to publish and disseminate the same.

[(f)] (g) Any officer or employee of the Bureau [of Federal Credit Unions] is authorized, when designated for the purpose by the Director [of the Bureau of Federal Credit Unions], to administer oaths and affirmations and to take affidavits and depositions touching upon any matter within the jurisdiction of the Bureau [of Federal Credit Unions].

[(g)] (h) The Director [of the Bureau of Federal Credit Unions] is authorized, empowered, and directed to require that every person appointed or elected by any Federal credit union to any position requiring the receipt, [payment or] *payments*, or custody of money or other personal property owned by a Federal credit [union or] *union*, or in its custody or control as collateral or otherwise, [to] give bond in a corporate surety company holding a certificate of authority from the Secretary of the Treasury under the Act [of Congress] approved July 30, 1947 (6 U.S.C. [, secs.] 6-13), as an acceptable surety on Federal bonds. Any such bond or bonds shall be in a form approved by the Director with a view to providing surety coverage to the Federal credit union with reference to loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful [abstraction or] *abstraction*, or misapplication on the part of the person directly or through connivance with others, and such other surety coverages as the Director may determine to be reasonably appropriate or as elsewhere required by this [chapter] *Act*. Any such bond or bonds shall be in *such* an amount in relation to the money or other personal property involved or in relation to the assets of the Federal credit union as the Director may from time to time prescribe by regulation for the purpose of requiring reasonable

coverage. In lieu of individual bonds the Director may approve the use of a form of schedule or blanket bond which covers all of the officers and employees of a Federal credit union whose duties include the receipt, payment, or custody of money or other personal property for or on behalf of the Federal credit union. The Director may also approve the use of a form of excess coverage bond whereby a Federal credit union may obtain an amount of coverage in excess of the basic surety coverage.

FISCAL AGENTS AND DEPOSITORIES

[SEC. 17.] *SEC. 22.* Each Federal credit union organized under this Act, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States, including the issue, sale, **[redemption or]** *redemption*, or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes the Director shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this Act, when designated for that purpose by the Secretary of the Treasury shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury.

TAXATION

[SEC. 18.] *SEC. 23.* The Federal credit unions organized hereunder, their property, their franchises, capital, reserves, surpluses, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such Federal credit unions shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. Nothing herein contained shall prevent holdings in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders thereof in assessing taxes imposed by authority of the State or political subdivision thereof in which the Federal credit union is located**[: Provided, however, That]**; but the duty or burden of collecting or enforcing the payment of such a tax shall not be imposed upon any such Federal credit union and the tax shall not exceed the rate of taxes imposed upon holdings in domestic credit unions.

[SEC. 19.] Not to exceed \$50,000 of the fund available to the Director under section 4 of the Act of March 3, 1932, for expenses of administration in connection with loans made thereunder to aid in the establishment of agricultural credit corporations, is hereby made available also for administrative expenses in administering this Act.**]**

PARTIAL INVALIDITY; RIGHT TO AMEND

[SEC. 20.] *SEC. 24.* (a) If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such **[provisions]** *provision* to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this Act or any part thereof, or any charter issued pursuant to the provisions of this Act, is expressly reserved.

SPACE IN FEDERAL BUILDINGS

[SEC. 21.] *SEC. 25.* Upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this Act, *at least 95 per centum* of the membership of which is composed **[exclusively]** of *persons who either are presently Federal employces or were Federal employees at the time of admission into the credit union*, and members of their families, which application shall be addressed to the officer or agency of the United States charged with the allotment of space in the Federal buildings in the community or district in which **[said]** *such* credit union **[or Federal credit union]** does business, such officer or agency may in his or its discretion allot space to such credit union if space is available without charge for rent or services.

CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND FROM STATE TO FEDERAL CREDIT UNION

[SEC. 26.] *SEC. 26.* (a) A Federal credit union may be converted into a State credit union under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, by complying with the following requirements:

(1) The proposition for such conversion shall first be approved, and a date set for a vote thereon by the members (either at a meeting to be held on such date or by written ballot to be filed on or before such date), by a majority of the directors of the Federal credit union. Written notice of the proposition and of the date set for the vote shall then be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. Approval of the proposition for conversion shall be by the affirmative vote of a majority of the members, in person or in writing.

[SEC. 26.] (2) A statement of the results of the vote, verified by the affidavits of the president or vice president and the secretary, shall be filed with the Bureau within ten days after the vote is taken.

(3) Promptly after the vote is taken and in no event later than ninety days thereafter, if the proposition for conversion was approved by such vote, the credit union shall take such action as may be necessary under the applicable State law to make it a State credit union, and within ten days after receipt of the State credit union charter there shall be filed with the Bureau a copy of the charter thus issued. Upon such filing the credit union shall cease to be a Federal credit union.

(4) Upon ceasing to be a Federal credit union, such credit union shall no longer be subject to any of the provisions of this Act. The successor State credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the Federal credit union to the same extent as though the conversion had not taken place.

(b) (1) A State credit union, organized under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, may be converted into a Federal credit union by (A) complying with all State requirements requisite to enabling it to convert to a Federal credit union or to cease being a State credit union, (B) filing with the Bureau proof of such compliance, satisfactory to the Director, and (C) filing with the Bureau an organization certificate as required by this Act.

(2) When the Director has been satisfied that all of such requirements, and all other requirements of this Act, have been complied with, the Director shall approve the organization certificate. Upon such approval, the State credit union shall become a Federal credit union as of the date it ceases to be a State credit union. The Federal credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the State credit union to the same extent as though the conversion had not taken place.

TERRITORIAL APPLICABILITY OF ACT

[SEC. 22] SEC. 27. [The provisions of this Act shall be extended to and include the Panama Canal Zone, and the Virgin Islands.] The provisions of this Act shall apply to the several States, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico.

SECTION 2113 OF TITLE 18 OF THE UNITED STATES CODE

§ 2113. Bank robbery and incidental crimes.

(a) Whoever, by force and violence, or by intimidation, takes, or attempts to take, from the person or presence of another any property or money or any other thing of value belonging to, or in the care, custody, control, management, or possession of, any bank, or any savings and loan association; or

Whoever enters or attempts to enter any bank, or any savings and loan association, or any building used in whole or in part as a bank, or as a savings and loan association, with intent to commit in such bank, or in such savings and loan association, or building, or part thereof, so used, any felony affecting such bank or such savings and loan association and in violation of any statute of the United States, or any larceny—

Shall be fined not more than \$5,000 or imprisoned not more than twenty years, or both.

(b) Whoever takes and carries away, with intent to steal or purloin, any property or money or any other thing of value exceeding \$100 belonging to, or in the care, custody, control, management, or possession of any bank, or any savings and loan association, shall be fined not more than \$5,000 or imprisoned not more than ten years, or both; or

Whoever takes and carries away, with intent to steal or purloin, any property or money or any other thing of value not exceeding \$100 belonging to, or in the care, custody, control, management, or possession of any bank, or any savings and loan association, shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

(c) Whoever receives, possesses, conceals, stores, barter, sells, or disposes of, any property or money or other thing of value knowing the same to have been taken from a bank, or a savings and loan association, in violation of subsection (b) of this section shall be subject to the punishment provided by said subsection (b) for the taker.

(d) Whoever, in committing, or in attempting to commit, any offense defined in subsections (a) and (b) of this section, assaults any person, or puts in jeopardy the life of any person by the use of a dangerous weapon or device, shall be fined not more than \$10,000 or imprisoned not more than twenty-five years, or both.

(e) Whoever, in committing any offense defined in this section, or in avoiding or attempting to avoid apprehension for the commission of such offense, or in freeing himself or attempting to free himself from arrest or confinement for such offense, kills any person, or forces any person to accompany him without the consent of such person, shall be imprisoned not less than ten years, or punished by death if the verdict of the jury shall so direct.

(f) As used in this section the term "bank" means any member bank of the Federal Reserve System and any bank, banking association, trust company, savings bank, or other banking institution organized or operating under the laws of the United States, and any bank the deposits of which are insured by the Federal Deposit Insurance Corporation.

(g) As used in this section the term "savings and loan association" means any Federal savings and loan association and any "insured institution" as defined in section 401 of the National Housing Act, as amended, and any "*Federal credit union*" as defined in section 2 of the *Federal Credit Union Act*.



H. R. 8305

[Report No. 696]

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1959

Mr. SPENCE introduced the following bill; which was referred to the Committee on Banking and Currency

JULY 21, 1959

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend the Federal Credit Union Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Federal Credit Union Act (48 Stat. 1216; 12
4 U.S.C., secs. 1751-1772) is amended to read as follows:

5 “SHORT TITLE

6 “SECTION 1. This Act may be cited as the ‘Federal
7 Credit Union Act’.

8 “DEFINITIONS

9 “SEC. 2. As used in this Act—

10 “(1) the term ‘Federal credit union’ means a
11 cooperative association organized in accordance with the

1 provisions of this Act for the purpose of promoting thrift
2 among its members and creating a source of credit for
3 provident or productive purposes;

4 “(2) the term ‘Bureau’ means the Bureau of Fed-
5 eral Credit Unions; and

6 “(3) the term ‘Director’ means the Director of
7 the Bureau of Federal Credit Unions.

8 “CREATION OF BUREAU

9 “SEC. 3. There shall be in the Department of Health,
10 Education, and Welfare a Bureau of Federal Credit Unions,
11 which shall be under the supervision of a Director appointed
12 by the Secretary of Health, Education, and Welfare. The
13 Bureau of Federal Credit Unions and the Director shall be
14 under the general direction and supervision of the Secretary.

15 “FEDERAL CREDIT UNION ORGANIZATION

16 “SEC. 4. Any seven or more natural persons who desire
17 to form a Federal credit union shall subscribe before some
18 officer competent to administer oaths an organization certifi-
19 cate in duplicate which shall specifically state—

20 “(1) the name of the association;

21 “(2) the location of the proposed Federal credit
22 union and the territory in which it will operate;

23 “(3) the names and addresses of the subscribers to
24 the certificate and the number of shares subscribed by
25 each;

1 “(4) the par value of the shares, which shall be \$5
2 each;

3 “(5) the proposed field of membership, specified in
4 detail;

5 “(6) the term of the existence of the corporation,
6 which may be perpetual; and

7 “(7) the fact that the certificate is made to enable
8 such persons to avail themselves of the advantages of
9 this Act.

10 Such organization certificate may also contain any pro-
11 visions approved by the Director for the management of the
12 business of the association and for the conduct of its affairs
13 and relative to the powers of its directors, officers, or stock-
14 holders.

15 “APPROVAL OF ORGANIZATION CERTIFICATE

16 “SEC. 5. The organization certificate shall be presented
17 to the Director for approval. Before any organization cer-
18 tificate is approved, an appropriate investigation shall be
19 made for the purpose of determining (1) whether the or-
20 ganization certificate conforms to the provisions of this Act;
21 (2) the general character and fitness of the subscribers
22 thereto; and (3) the economic advisability of establishing
23 the proposed Federal credit union. Upon approval of such
24 organization certificate by the Director it shall be the char-
25 ter of the corporation, and one of the originals thereof shall

1 be delivered to the corporation after the payment of the fee
 2 required therefor. Upon such approval the Federal credit
 3 union shall be a body corporate and as such, subject to the
 4 limitations herein contained, shall be vested with all of the
 5 powers and charged with all of the liabilities conferred and
 6 imposed by this Act upon corporations organized hereunder.

7 "FEES

8 "SEC. 6. For the purpose of paying the costs incident
 9 to the ascertainment of whether an organization certificate
 10 should be approved, the subscribers to any such certificate
 11 shall pay, at the time of filing their organization certificate,
 12 the amount prescribed by the Director, which shall not
 13 exceed \$20 in any case; and on the approval of any
 14 organization certificate they shall also pay a fee of \$5. Not
 15 later than January 31 of each calendar year, each Federal
 16 credit union shall pay to the Bureau, for the preceding
 17 calendar year, a supervision fee in accordance with a grad-
 18 uated scale prescribed by regulation on the basis of assets
 19 as of December 31 of such preceding year, but such fee
 20 shall in no event be less than \$10 nor more than the appli-
 21 cable amount specified in the following table:

"Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000----	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000--	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000--	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

1 All such fees shall be deposited with the Treasurer of the
2 United States for the account of the Bureau and may be
3 expended by the Director for such administrative, super-
4 visory, and other expenses incurred in carrying out the pro-
5 visions of this Act as he may determine to be proper, the
6 purpose of such fees being to defray such expenses as far
7 as practicable. No annual supervision fee shall be payable
8 by a Federal credit union with respect to the year in which
9 its charter is issued, or in which final distribution is made
10 in its liquidation or the charter is otherwise canceled.

11 "REPORTS AND EXAMINATIONS

12 "SEC. 7. Federal credit unions shall be under the
13 supervision of the Director, and shall make financial reports
14 to him as and when he may require, but at least annually.
15 Each Federal credit union shall be subject to examination
16 by, and for this purpose shall make its books and records
17 accessible to, any person designated by the Director. The
18 Director shall fix a scale of examination fees to be paid
19 by Federal credit unions, giving due consideration to the
20 time and expense incident to such examinations, and to
21 the ability of Federal credit unions to pay such fees, which
22 fees shall be assessed against and paid by each Federal
23 credit union promptly after the completion of such exami-
24 nation. Examination fees collected under the provisions of
25 this section shall be deposited to the credit of the special

1 fund created by section 6, and shall be available for the
2 purposes specified in such section.

3 "POWERS

4 "SEC. 8. A Federal credit union shall have succession
5 in its corporate name during its existence and shall have
6 power—

7 "(1) to make contracts;

8 "(2) to sue and be sued;

9 "(3) to adopt and use a common seal and alter
10 the same at pleasure;

11 "(4) to purchase, hold, and dispose of property
12 necessary or incidental to its operations;

13 "(5) to make loans with maturities not exceeding
14 five years to its members for provident or productive
15 purposes upon such terms and conditions as this Act
16 and its bylaws provide and as the credit committee or
17 a loan officer may approve, at rates of interest not ex-
18 ceeding 1 per centum per month on unpaid balances,
19 inclusive of all charges incident to making the loan;
20 except that no loans to a director or member of the
21 supervisory or credit committee shall exceed the amount
22 of his holdings in the Federal credit union as represented
23 by shares thereof plus the total unencumbered and un-

pledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member. No director or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this paragraph, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Director after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such

1 other factors as the Director deems relevant, but such
2 rules and regulations shall not require payments more
3 frequently than annually;

4 “(6) to receive from its members payments on
5 shares;

6 “(7) to invest its funds (A) in loans exclusively
7 to members; (B) in obligations of the United States of
8 America, or securities fully guaranteed as to principal
9 and interest thereby; (C) in accordance with rules and
10 regulations prescribed by the Director, in loans to other
11 credit unions in the total amount not exceeding 25 per
12 centum of its paid-in and unimpaired capital and sur-
13 plus; or (D) in shares or accounts of savings and loan
14 associations, the accounts of which are insured by the
15 Federal Savings and Loan Insurance Corporation;

16 “(8) to make deposits in national banks and in
17 State banks, trust companies, and mutual savings banks
18 operating in accordance with the laws of the State in
19 which the Federal credit union does business;

20 “(9) to borrow, in accordance with such rules and
21 regulations as may be prescribed by the Director, from
22 any source, in an aggregate amount not exceeding 50
23 per centum of its paid-in and unimpaired capital and
24 surplus: *Provided*, That any Federal credit union may
25 discount with or sell to any Federal intermediate credit

bank any eligible obligations up to the amount of its paid-in and unimpaired capital;

“(10) to levy late charges, in accordance with the bylaws, for failure of members to meet promptly their obligations to the Federal credit union;

“(11) to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or charges payable by him;

“(12) in accordance with rules and regulations prescribed by the Director, to sell to members negotiable checks (including travelers checks) and money orders, and to cash checks and money orders for members, for a fee which does not exceed the direct and indirect costs incident to providing such service; and

“(13) to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

“BYLAWS

“SEC. 9. In order to simplify the organization of Federal credit unions the Director shall from time to time cause to be prepared a form of organization certificate and a form of bylaws, consistent with this Act, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization

1 certificate the incorporators shall also submit proposed by-
2 laws to the Director for his approval.

3 "MEMBERSHIP

4 "SEC. 10. Federal credit union membership shall con-
5 sist of the incorporators and such other persons and incor-
6 porated and unincorporated organizations, to the extent
7 permitted by rules and regulations prescribed by the Di-
8 rector, as may be elected to membership and as such shall
9 each, subscribe to at least one share of its stock and pay the
10 initial installment thereon and the entrance fee; except that
11 Federal credit union membership shall be limited to groups
12 having a common bond of occupation or association, or to
13 groups within a well-defined neighborhood, community, or
14 rural district. Shares may be issued in joint tenancy with
15 right of survivorship with any persons designated by the
16 credit union member, but no joint tenant shall be permitted
17 to vote, obtain loans, or hold office, unless he is within the
18 field of membership and is a qualified member.

19 "MEMBERS' MEETINGS

20 "SEC. 11. The fiscal year of all Federal credit unions
21 shall end December 31. The annual meeting of each Fed-
22 eral credit union shall be held at such time during the month
23 of the following January and at such place as its bylaws shall
24 prescribe. Special meetings may be held in the manner
25 indicated in the bylaws. No member shall be entitled to

1 vote by proxy, but a member other than a natural person
2 may vote through an agent designated for the purpose. Ir-
3 respective of the number of shares held by him, no member
4 shall have more than one vote.

5 "MANAGEMENT

6 "SEC. 12. The business affairs of a Federal credit union
7 shall be managed by a board of not less than five directors,
8 and a credit committee of not less than three members, all
9 to be elected at the annual members' meeting by and from
10 the members, and by a supervisory committee of three mem-
11 bers, one of whom may be a director other than the treasurer,
12 to be appointed by the board. Any vacancy occurring in the
13 supervisory committee shall be filled in the same manner as
14 original appointments to such committee. All members of
15 the board and of such committees shall hold office for such
16 terms, respectively, as the bylaws may provide. A record of
17 the names and addresses of the members of the board and
18 such committees and of the officers of the credit union shall
19 be filed with the Bureau within ten days after their election
20 or appointment. No member of the board or of either such
21 committee shall, as such, be compensated.

22 "OFFICERS

23 "SEC. 13. At their first meeting after the annual meet-
24 ing of the members, the directors shall elect from their num-
25 ber a president, one or more vice presidents, a secretary, and

1 a treasurer, who shall be the executive officers of the cor-
2 poration. No executive officer, except the treasurer, shall
3 be compensated as such. The offices of secretary and treas-
4 urer may be held by the same person. The duties of the
5 officers shall be as determined by the bylaws, except that the
6 treasurer shall be the general manager of the corporation.
7 Before the treasurer shall enter upon his duties he shall give
8 bond with good and sufficient surety, in an amount and char-
9 acter to be determined by the board of directors in compli-
10 ance with regulations prescribed from time to time by the
11 Director, conditioned upon the faithful performance of his
12 trust.

13 "DIRECTORS

14 "SEC. 14. The board of directors shall meet at least
15 once a month and shall have the general direction and con-
16 trol of the affairs of the corporation. Minutes of all such
17 meetings shall be kept. Among other things they shall act
18 upon applications for membership; require any officer or em-
19 ployee having custody of or handling funds to give bond
20 with good and sufficient surety in an amount and character
21 to be determined by the board of directors in compliance
22 with regulations prescribed from time to time by the Di-
23 rector, and authorize the payment of the premium or pre-
24 miums therefor from the funds of the Federal credit union;
25 fill vacancies in the board and in the credit committee until

1 successors elected at the next annual meeting have qualified;
2 have charge of investments other than loans to members;
3 determine from time to time the maximum number of shares
4 that may be held by an individual; subject to the limitations
5 of this Act, determine the interest rates on loans and the
6 maximum amount which may be loaned with or without
7 security to any member; subject to such regulations as may
8 be issued by the Director, authorize an interest refund to
9 members of record at the close of business on December 31
10 in proportion to the interest paid by them during that year;
11 and provide for compensation of necessary clerical and au-
12 diting assistance requested by the supervisory committee, and
13 of loan officers appointed by the credit committee. The
14 board may appoint an executive committee of not less than
15 three directors to act for it in the purchase and sale of secu-
16 rities or the making of loans to other credit unions, or both.
17 Such executive committee or a membership officer appointed
18 by the board from among the members of the credit union,
19 other than the treasurer, an assistant treasurer, or a loan offi-
20 cer, may be authorized by the board to approve applications
21 for membership under such conditions as the board may pre-
22 scribe; except that such committee or membership officer so
23 authorized shall submit to the board at each monthly meet-
24 ing a list of approved or pending applications for member-
25 ship received since the previous monthly meeting, together

1 with such other related information as the bylaws or the
2 board may require.

3 "CREDIT COMMITTEE

4 "SEC. 15. The credit committee shall hold such meet-
5 ings as the business of the Federal credit union may require
6 and not less frequently than once a month to consider appli-
7 cations for loans. Reasonable notice of such meetings shall
8 be given to all members of the committee. No loan shall be
9 made unless it is approved by a majority of the entire com-
10 mittee and by all members of the committee who are present
11 at the meeting at which the application is considered; except
12 that the credit committee may appoint one or more loan offi-
13 cers, and delegate to him or them the power to approve loans
14 up to the unsecured limit, or in excess of such limit if
15 such excess is fully secured by unpledged shares. Each
16 loan officer shall furnish to the credit committee a record
17 of each loan approved or not approved by him within seven
18 days of the date of the filing of the application therefor. All
19 loans not approved by a loan officer shall be acted upon by
20 the credit committee. No individual shall have authority to
21 disburse funds of the Federal credit union for any loan which
22 has been approved by him in his capacity as a loan officer.
23 Not more than one member of the credit committee may
24 be appointed as a loan officer. Applications for loans
25 shall be made on forms prepared by such committee,

1 which shall set forth the purpose for which the loan is
2 desired, the security, if any, and such other data as may
3 be required. No loan shall be made to any member which
4 causes such member to become indebted to the Federal
5 credit union in an aggregate amount, upon loans made to
6 such member, which is in excess of \$200 or 10 per centum
7 of the credit union's paid-in unimpaired capital and surplus,
8 whichever is greater, or in excess of \$1,000 unless such ex-
9 cess over \$1,000 is adequately secured. For the purposes
10 of this section an assignment of shares or the endorsement
11 of a note shall be deemed security.

12 "SUPERVISORY COMMITTEE

13 "SEC. 16. The supervisory committee shall make or
14 cause to be made, at least quarterly, an examination of the
15 affairs of the Federal credit union, including an audit of its
16 books; shall make or cause to be made a report of its
17 quarterly examination to the board of directors; shall make
18 or cause to be made an annual audit, a report of which
19 shall be submitted to the members at the next annual meet-
20 ing of the corporation; may suspend by a unanimous vote
21 any officer of the corporation or any member of the credit
22 committee or of the board of directors, until the next mem-
23 bers' meeting, which members' meeting shall be held not
24 less than seven nor more than fourteen days after such
25 suspension and at which meeting such suspension shall be

1 acted upon by the members; and may call by a majority
2 vote a special meeting of the shareholders to consider
3 any violation of this Act, the charter, or the bylaws, or
4 any practice of the corporation deemed by the supervisory
5 committee to be unsafe or unauthorized. Any member of
6 the supervisory committee may be suspended by the
7 board of directors. The members shall decide, at a meet-
8 ing held not less than seven nor more than fourteen days
9 after any such suspension, whether the suspended com-
10 mittee member shall be removed from or restored to the
11 supervisory committee. The supervisory committee shall
12 cause the passbooks and accounts of the members to be
13 verified with the records of the treasurer from time to time,
14 and not less frequently than once every two years. As used
15 in this section, the term 'passbook' shall include any book,
16 statement of account, or other record approved by the Di-
17 rector for use by Federal credit unions.

18 "RESERVES

19 "SEC. 17. All entrance fees and charges provided by the
20 bylaws and 20 per centum of the net earnings of each divi-
21 dend period, before the declaration of any dividends, shall be
22 set aside as a regular reserve against losses on bad loans and
23 such other losses as may be specified in the bylaws in accord-
24 ance with regulations prescribed under this Act: *Provided,*
25 *however,* That when the regular reserve thus established shall

1 equal 10 per centum of the total amount of members' share-
2 holdings, no further transfer of net earnings to such regular
3 reserve shall be required except that such amounts not in ex-
4 cess of 20 per centum of the net earnings as may be needed
5 to maintain this 10 per centum ratio shall continue to be
6 transferred. In addition to such regular reserve, special re-
7 serves to protect the interests of members shall be established
8 when required (1) by regulation, or (2) in any special
9 case, when found by the Director to be necessary for that
10 purpose.

11 "DIVIDENDS

12 "SEC. 18. Annually or semiannually, as the bylaws may
13 provide, and after provision for the required reserves, the
14 board of directors may declare a dividend to be paid from
15 the remaining net earnings. Such dividend shall be paid on
16 all paid-up shares outstanding at the end of the period for
17 which the dividend is declared. Shares which become fully
18 paid up during such dividend period and are outstanding at
19 the close of the period shall be entitled to a proportional part
20 of such dividend. Dividend credit for a month may be ac-
21 crued on shares which are or become fully paid up during
22 the first five days of that month.

23 "EXPULSION AND WITHDRAWAL

24 "SEC. 19. A member may be expelled by a two-thirds
25 vote of the members of a Federal credit union present at

1 a special meeting called for the purpose, but only after an
2 opportunity has been given him to be heard. Withdrawal
3 or expulsion of a member shall not operate to relieve him
4 from liability to the Federal credit union. The amount to
5 be paid a withdrawing or expelled member by a Federal
6 credit union shall be determined and paid in the manner
7 specified in the bylaws.

8 "MINORS

9 "SEC. 20. Shares may be issued in the name of a minor
10 or in trust, subject to such conditions as may be prescribed
11 by the bylaws. When shares are issued in trust, the name
12 of the beneficiary shall be disclosed to the Federal credit
13 union.

14 "CERTAIN POWERS OF DIRECTOR

15 "SEC. 21. (a) The Director may prescribe rules and
16 regulations for the administration of this Act (including,
17 but not by way of limitation, the merger, consolidation,
18 and dissolution of corporations organized under this Act).

19 "(b) (1) The Director may suspend or revoke the
20 charter of any Federal credit union, or place the same in
21 involuntary liquidation and appoint a liquidating agent there-
22 for, upon his finding that the organization is bankrupt or
23 insolvent, or has violated any of the provisions of its charter,
24 its bylaws, this Act, or any regulations issued thereunder.

25 "(2) The Director, through such persons as he shall

1 designate, may examine any Federal credit union in volun-
2 tary liquidation and, upon his finding that such voluntary
3 liquidation is not being conducted in an orderly or efficient
4 manner or in the best interests of its members, may termi-
5 nate such voluntary liquidation and place such organization
6 in involuntary liquidation and appoint a liquidating agent
7 therefor.

8 “(3) Such liquidating agent shall have power and au-
9 thority, subject to the control and supervision of the Director
10 and under such rules and regulations as the Director may
11 prescribe, (A) to receive and take possession of the books,
12 records, assets, and property of every description of the
13 Federal credit union in liquidation, to sell, enforce collection
14 of, and liquidate all such assets and property, to compound
15 all bad or doubtful debts, and to sue in his own name or in
16 the name of the Federal credit union in liquidation, and
17 defend such actions as may be brought against him as
18 liquidating agent or against the Federal credit union; (B)
19 to receive, examine, and pass upon all claims against the
20 Federal credit union in liquidation, including claims of mem-
21 bers on shares; (C) to make distribution and payment to
22 creditors and members as their interests may appear; and
23 (D) to execute such documents and papers and to do such
24 other acts and things which he may deem necessary or
25 desirable to discharge his duties hereunder.

1 “(4) Subject to the control and supervision of the
2 Director and under such rules and regulations as the Director
3 may prescribe, the liquidating agent of a Federal credit
4 union in involuntary liquidation shall (A) cause notice to
5 be given to creditors and members to present their claims
6 and make legal proof thereof, which notice shall be published
7 once a week in each of three successive weeks in a news-
8 paper of general circulation in each county in which the
9 Federal credit union in liquidation maintained an office or
10 branch for the transaction of business on the date it ceased
11 unrestricted operations; except that whenever the aggre-
12 gate book value of the assets and property of a Federal
13 credit union in involuntary liquidation is less than \$1,000,
14 unless the Director shall find that its books and records do
15 not contain a true and accurate record of its liabilities, he
16 shall declare such Federal credit union in liquidation to be
17 a ‘no publication’ liquidation, and publication of notice to
18 creditors and members shall not be required in such case;
19 (B) from time to time make a ratable dividend on all such
20 claims as may have been proved to his satisfaction or adjudi-
21 cated in a court of competent jurisdiction and, after the
22 assets of such organization have been liquidated, make fur-
23 ther dividends on all claims previously proved or adjudi-
24 cated, and he may accept in lieu of a formal proof of claim
25 on behalf of any creditor or member the statement of any

1 amount due to such creditor or member as shown on the
2 books and records of the credit union; but all claims not filed
3 before payment of the final dividend shall be barred and
4 claims rejected or disallowed by the liquidating agent shall
5 be likewise barred unless suit be instituted thereon within
6 three months after notice of rejection or disallowance; and
7 (C) in a 'no publication' liquidation, determine from all
8 sources available to him, and within the limits of available
9 funds of the Federal credit union, the amounts due to credi-
10 tors and members, and after sixty days shall have elapsed
11 from the date of his appointment distribute the funds of the
12 Federal credit union to creditors and members ratably and as
13 their interests may appear.

14 “(5) Upon certification by the liquidating agent in the
15 case of an involuntary liquidation, and upon such proof as
16 shall be satisfactory to the Director in the case of a voluntary
17 liquidation, that distribution has been made and that liqui-
18 dation has been completed, as provided herein, the Director
19 shall cancel the charter of such Federal credit union; but the
20 corporate existence of the Federal credit union shall continue
21 for a period of three years from the date of such cancellation
22 of its charter, during which period the liquidating agent, or
23 his duly appointed successor, or such persons as the Director
24 shall designate, may act on behalf of the Federal credit union
25 for the purpose of paying, satisfying, and discharging any

1 existing liabilities or obligations, collecting and distributing
2 its assets, and doing all other acts required to adjust and
3 wind up its business and affairs, and it may sue and be sued
4 in its corporate name.

5 “(c) After the expiration of five years from the date
6 of cancellation of the charter of a Federal credit union the
7 Director may, in his discretion, destroy any or all books and
8 records of such Federal credit union in his possession or
9 under his control.

10 “(d) The Director is authorized and empowered to
11 execute any and all functions and perform any and all duties
12 vested in him hereby, through such persons as he shall desig-
13 nate or employ; and he may delegate to any person or per-
14 sons, including any institution operating under the general
15 supervision of the Bureau, the performance and discharge
16 of any authority, power, or function vested in him by this
17 Act.

18 “(e) All books and records of Federal credit unions
19 shall be kept and reports shall be made in accordance with
20 forms approved by the Director.

21 “(f) The Director is authorized to make investigations
22 and to conduct researches and studies of the problems of
23 persons of small means in obtaining credit at reasonable
24 rates of interest, and of the methods and benefits of co-
25 operative saving and lending among such persons. He is

1 further authorized to make reports of such investigations
2 and to publish and disseminate the same.

3 “(g) Any officer or employee of the Bureau is author-
4 ized, when designated for the purpose by the Director, to
5 administer oaths and affirmations and to take affidavits and
6 depositions touching upon any matter within the jurisdiction
7 of the Bureau.

8 “(h) The Director is authorized, empowered, and
9 directed to require that every person appointed or elected
10 by any Federal credit union to any position requiring the
11 receipt, payment, or custody of money or other personal
12 property owned by a Federal credit union, or in its custody
13 or control as collateral or otherwise, give bond in a corporate
14 surety company holding a certificate of authority from the
15 Secretary of the Treasury under the Act approved July 30,
16 1947 (6 U.S.C., sec. 6-13), as an acceptable surety on
17 Federal bonds. Any such bond or bonds shall be in a form
18 approved by the Director with a view to providing surety
19 coverage to the Federal credit union with reference to loss
20 by reason of acts of fraud or dishonesty including forgery,
21 theft, embezzlement, wrongful abstraction, or misapplication
22 on the part of the person, directly or through connivance
23 with others, and such other surety coverages as the Director
24 may determine to be reasonably appropriate or as elsewhere
25 required by this Act. Any such bond or bonds shall be in

1 such an amount in relation to the money or other personal
2 property involved or in relation to the assets of the Federal
3 credit union as the Director may from time to time prescribe
4 by regulation for the purpose of requiring reasonable cover-
5 age. In lieu of individual bonds the Director may approve
6 the use of a form of schedule or blanket bond which covers all
7 of the officers and employees of a Federal credit union whose
8 duties include the receipt, payment, or custody of money or
9 other personal property for or on behalf of the Federal credit
10 union. The Director may also approve the use of a form
11 of excess coverage bond whereby a Federal credit union
12 may obtain an amount of coverage in excess of the basic
13 surety coverage.

14 "FISCAL AGENTS AND DEPOSITORIES

15 "SEC. 22. Each Federal credit union organized under this
16 Act, when requested by the Secretary of the Treasury, shall
17 act as fiscal agent of the United States and shall perform
18 such services as the Secretary of the Treasury may require in
19 connection with the collection of taxes and other obligations
20 due the United States and the lending, borrowing, and re-
21 payment of money by the United States, including the issue,
22 sale, redemption, or repurchase of bonds, notes, Treasury
23 certificates of indebtedness, or other obligations of the United
24 States; and to facilitate such purposes the Director shall fur-
25 nish to the Secretary of the Treasury from time to time the

1 names and addresses of all Federal credit unions with such
2 other available information concerning them as may be re-
3 quested by the Secretary of the Treasury. Any Federal
4 credit union organized under this Act, when designated for
5 that purpose by the Secretary of the Treasury, shall be a
6 depository of public money, except receipts from customs,
7 under such regulations as may be prescribed by the Secre-
8 tary of the Treasury.

9 "TAXATION

10 "SEC. 23. The Federal credit unions organized here-
11 under, their property, their franchises, capital, reserves, sur-
12 pluses, and other funds, and their income shall be exempt
13 from all taxation now or hereafter imposed by the United
14 States or by any State, Territorial, or local taxing authority;
15 except that any real property and any tangible personal
16 property of such Federal credit unions shall be subject to
17 Federal, State, Territorial, and local taxation to the same
18 extent as other similar property is taxed. Nothing herein
19 contained shall prevent holdings in any Federal credit union
20 organized hereunder from being included in the valuation of
21 the personal property of the owners or holders thereof in
22 assessing taxes imposed by authority of the State or political
23 subdivision thereof in which the Federal credit union is
24 located; but the duty or burden of collecting or enforcing
25 the payment of such a tax shall not be imposed upon any

1 such Federal credit union and the tax shall not exceed the
2 rate of taxes imposed upon holdings in domestic credit
3 unions.

4 "PARTIAL INVALIDITY; RIGHT TO AMEND

5 "SEC. 24. (a) If any provision of this Act, or the ap-
6 plication thereof to any person or circumstance, is held in-
7 valid, the remainder of the Act, and the application of such
8 provision to other persons or circumstances, shall not be
9 affected thereby.

10 " (b) The right to alter, amend, or repeal this Act or
11 any part thereof, or any charter issued pursuant to the pro-
12 visions of this Act, is expressly reserved.

13 "SPACE IN FEDERAL BUILDINGS

14 "SEC. 25. Upon application by any credit union organ-
15 ized under State law or by any Federal credit union organ-
16 ized in accordance with the terms of this Act, at least 95
17 per centum of the membership of which is composed of
18 persons who either are presently Federal employees or were
19 Federal employees at the time of admission into the credit
20 union, and members of their families, which application shall
21 be addressed to the officer or agency of the United States
22 charged with the allotment of space in the Federal build-
23 ings in the community or district in which such credit union
24 does business, such officer or agency may in his or its dis-

1 cretion allot space to such credit union if space is available
2 without charge for rent or services.

3 “CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND
4 FROM STATE TO FEDERAL CREDIT UNION

5 “SEC. 26. (a) A Federal credit union may be converted
6 into a State credit union under the laws of any State, the
7 District of Columbia, the several Territories and possessions
8 of the United States, the Panama Canal Zone, or the Com-
9 monwealth of Puerto Rico, by complying with the following
10 requirements:

11 “(1) The proposition for such conversion shall first be
12 approved, and a date set for a vote thereon by the members
13 (either at a meeting to be held on such date or by written
14 ballot to be filed on or before such date), by a majority of
15 the directors of the Federal credit union. Written notice of
16 the proposition and of the date set for the vote shall then
17 be delivered in person to each member, or mailed to each
18 member at the address for such member appearing on the
19 records of the credit union, not more than thirty nor less
20 than seven days prior to such date. Approval of the proposi-
21 tion for conversion shall be by the affirmative vote of a
22 majority of the members, in person or in writing.

23 “(2) A statement of the results of the vote, verified by
24 the affidavits of the president or vice president and the

1 secretary, shall be filed with the Bureau within ten days
2 after the vote is taken.

3 “(3) Promptly after the vote is taken and in no event
4 later than ninety days thereafter, if the proposition for con-
5 version was approved by such vote, the credit union shall
6 take such action as may be necessary under the applicable
7 State law to make it a State credit union, and within ten
8 days after receipt of the State credit union charter there shall
9 be filed with the Bureau a copy of the charter thus issued.
10 Upon such filing the credit union shall cease to be a Federal
11 credit union.

12 “(4) Upon ceasing to be a Federal credit union, such
13 credit union shall no longer be subject to any of the pro-
14 visions of this Act. The successor State credit union shall
15 be vested with all of the assets and shall continue respon-
16 sible for all of the obligations of the Federal credit union
17 to the same extent as though the conversion had not taken
18 place.

19 “(b) (1) A State credit union, organized under the
20 laws of any State, the District of Columbia, the several
21 Territories and possessions of the United States, the Panama
22 Canal Zone, or the Commonwealth of Puerto Rico, may
23 be converted into a Federal credit union by (A) comply-

1 ing with all State requirements requisite to enabling it to
2 convert to a Federal credit union or to cease being a State
3 credit union, (B) filing with the Bureau proof of such
4 compliance, satisfactory to the Director, and (C) filing
5 with the Bureau an organization certificate as required by
6 this Act.

7 “(2) When the Director has been satisfied that all of
8 such requirements, and all other requirements of this Act,
9 have been complied with, the Director shall approve the
10 organization certificate. Upon such approval, the State
11 credit union shall become a Federal credit union as of the
12 date it ceases to be a State credit union. The Federal
13 credit union shall be vested with all of the assets and
14 shall continue responsible for all of the obligations of the
15 State credit union to the same extent as though the conver-
16 sion had not taken place.

17 “TERRITORIAL APPLICABILITY OF ACT

18 “SEC. 27. The provisions of this Act shall apply to the
19 several States, the District of Columbia, the several Terri-
20 tories and possessions of the United States, the Panama Canal
21 Zone, and the Commonwealth of Puerto Rico.”

22 SEC. 2. Section 2113 (g) of title 18 of the United States
23 Code is amended by inserting before the period at the end

1 thereof “, and any ‘Federal credit union’ as defined in section
2 2 of the Federal Credit Union Act”.

3 SEC. 3. The Director of the Bureau of Federal Credit
4 Unions shall submit to the Congress on or before January 15,
5 1960, a draft of legislation providing for federally chartered
6 central credit unions.

86TH CONGRESS
1ST Session

H. R. 8305

[Report No. 696]

A BILL

To amend the Federal Credit Union Act.

By Mr. SPENCE

JULY 20, 1959

Referred to the Committee on Banking and Currency

JULY 21, 1959

Committed to the Committee of the Whole House on
the State of the Union and ordered to be printed

July 29, 1959

15. HOUSING LOANS. Passed without amendment S. J. Res. 124, to extend until Sept. 30, 1959, the voluntary home mortgage credit program administered by the Housing and Home Finance Agency so as to continue assistance to home buyers in obtaining residential mortgage loans in small communities and rural areas where mortgage money is scarce. This measure will now be sent to the President p. 13356
16. SUGAR; TOBACCO. Rep. Cooley criticized restrictions by the Philippines on the importation of U. S. agricultural products, particularly tobacco, and expressed his opposition to increasing the sugar quota for the Philippines. p. 13378
17. INFORMATION. Rep. Monagan criticized executive agencies, particularly the State Department and ICA, for not supplying certain documents requested by congressional committees, and inserted a newspaper article on the matter. p. 13366
18. FARM LOANS; BANKING. The Rules Committee reported resolutions for the consideration of two bills: (1) H. R. 8159, to amend the national banking laws to clarify or eliminate ambiguities, to repeal certain laws which have become obsolete (also repeals part of the Agricultural Credit Act of 1923 authorizing the establishment of national agricultural credit corporations); and (2) H. R. 8160, to amend the lending and borrowing limitations applicable to national banks (including provisions making revisions in the limit on borrowing by national banks for loans secured by refrigerated or frozen foods and discounts by dealers in dairy cattle). p. 13381
19. CREDIT UNION. The Rules Committee reported a resolution for the consideration of H. R. 8305, to amend the Federal Credit Union Act. p. 13381
20. LANDS. The Interior and Insular Affairs Committee voted to report (but did not actually report) with amendment H. R. 5412, to provide that lands conveyed under the act of June 14, 1926 (authorizing the acquisition or use of public lands by States or their subdivisions, for recreation) for State park purposes shall not be subject to the 640 acre limitation contained in such act. p. D684
21. TRANSPORTATION. The Merchant Marine and Fisheries Committee voted to report (but did not actually report) two bills: (1) H. R. 5067, to repeal sec. 217 of the Merchant Marine Act of 1936, which authorizes the Department of Commerce to coordinate foreign trade activities of Federal agencies and private firms; and (2) H. R. 5068, with amendment, to provide for the licensing of independent foreign freight forwarders. p. D684
22. PERSONNEL. A subcommittee of the Post Office and Civil Service Committee voted to report to the full committee with amendment H. R. 8241, amending certain provisions of the Civil Service Retirement Act relating to the reemployment of former Members of Congress. p. D685
23. HIGHWAYS. The "Daily Digest" states that the Ways and Means Committee voted to report various amendments to the highway trust fund legislation. p. D685
24. SUPPLY MANAGEMENT. Rep. Holifield discussed the report of the Government Operations Committee, "Military Supply Management," and the single manager program designed to promote economy and efficiency. pp. 13378-80

25. LEGISLATIVE PROGRAM. Rep. McCormack announced that today (July 30) the House would consider the conference reports on H. R. 6769, the Labor-HEW appropriation bill and H. R. 5674, the military construction bill (including use of foreign currencies generated under Public Law 480), H. R. 8159, to amend the national banking laws, H. R. 8160, to amend lending and borrowing limitations applicable to national banks, and H. R. 8305, to amend the Federal Credit Union Act. He also announced that the House would not meet on Friday. p. 13355

Rep. McCormack received consent to have the Private Calendar called on August 11. p. 13354

ITEMS IN APPENDIX

26. FARM PROGRAM. Sen. Dirksen inserted an address by Mr. Don Paarlberg discussing the farm program. pp. A6548-50

Rep. Hosmer inserted additional excerpts from letters favoring his proposed farm program. pp. A6550-1

Rep. Holifield inserted Lionel Steinberg's, Calif. State Board of Agriculture, article criticizing the administration's farm program. pp. A6554-5

27. FOREST PRODUCTS. Extension of remarks of Sen. Neuberger inserting an editorial and stating that it comments upon the "now-prevalent attitude in the lumber industry, which favors sustained-yield cutting practices and sound forest management." p. A6551

28. CIVIL DEFENSE. Extension of remarks of Sen. Young inserting an editorial, "So What Is Money?" and stating that it "... points out once again the waste of the taxpayers' money on our obsolete civil defense program." p. A6557

Rep. Holifield inserted an article, "United States Is Prodded On Civil Defense -- Convention of County Aides Schedules Call for New Federal Department." pp. A6562-3

29. WHEAT. Rep. Wolf commended and inserted an editorial, "Remove Wheat Controls, Too?" p. A6567

30. CREDIT UNIONS. Extension of remarks of Rep. Johnson, Colo., inserting the proposed amendments to H. R. 8305, to amend the Federal Credit Union Act. p. A6569

31. INTEREST RATES. Extension of remarks of Rep. Flynn objecting to the proposed increase in interest rates. p. A6574

BILLS INTRODUCED

32. SOIL BANK. S. 2457, by Sen. Symington, H. R. 8438, by Rep. Hull, and H. R. 8443, by Rep. Carnahan, to provide equitable treatment for producers participating in the soil bank program on the basis of incorrect information furnished by the Government; to Senate Agriculture and Forestry Committee and House Agriculture Committee. Remarks of Sen. Symington. pp. 13286-7

33. RECREATION. S. 2460, by Sen. Murray (for himself and others), H. R. 8445, by Rep. Dingell, and H. R. 8449, by Rep. Metcalf, to save and preserve, for the public use and benefit, certain portions of shoreline areas of the United States; to Interior and Insular Affairs Committees. Remarks of Sen. Murray. pp. 13288-90

34. PERSONNEL. S. 2461, by Sen. Johnston, S. C., to amend the Federal Employees' Group Life Insurance Act of 1954; to Post Office and Civil Service Committee,

CONSIDERATION OF H.R. 8305

JULY 29, 1959.—Referred to the House Calendar and ordered to be printed

Mr. MADDEN, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 334]

The Committee on Rules, having had under consideration House Resolution 334, report the same to the House with the recommendation that the resolution do pass.



House Calendar No. 124

86TH CONGRESS
1ST SESSION

H. RES. 334

[Report No. 733]

IN THE HOUSE OF REPRESENTATIVES

JULY 29, 1959

MR. MADDEN, from the Committee on Rules, reported the following resolution;
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the
4 Union for the consideration of the bill (H.R. 8305) to
5 amend the Federal Credit Union Act. After general debate,
6 which shall be confined to the bill, and shall continue not
7 to exceed two hours, to be equally divided and controlled by
8 the chairman and ranking minority member of the Commit-
9 tee on Banking and Currency, the bill shall be read for
10 amendment under the five-minute rule. At the conclusion
11 of the consideration of the bill for amendment, the Commit-
12 tee shall rise and report the bill to the House with such

1 amendments as may have been adopted, and the previous
2 question shall be considered as ordered on the bill and amend-
3 ments thereto to final passage without intervening motion
4 except one motion to recommit.

House Calendar No. 124

86TH CONGRESS
1ST SESSION

H. RES. 334

[Report No. 733]

RESOLUTION

Providing for the consideration of H.R. 8305,
a bill to amend the Federal Credit Union
Act.

By Mr. MADDEN

JULY 29, 1959

Referred to the House Calendar and ordered to be
printed

4. BUILDINGS. Received from GSA a report on lease agreements which do not bind the Government for periods in excess of 10 years which were entered into Jan. 2, 1959, through June 30, 1959 (p. 13563).
5. LANDS. The Interior and Insular Affairs Committee reported with amendment H. R. 5412, to amend the Recreation Act of 1926 to provide that lands conveyed under such Act for State park purposes shall not be subject to the 640-acre limitation (H. Rept. 738). p. 13563
6. FOREIGN CURRENCIES. ^{Both Houses} agreed to the conference report on H. R. 5674, the military construction bill which includes authority for the use of Public Law 480 foreign currencies. This bill will now be sent to the President. pp. 13441-2, 13449-50, 13475-9
7. LOANS; BANKING. Passed without amendment H. R. 8160, to liberalize in several respects the limitations on borrowing and lending by national banks (see Digest 124 for summary of bill). pp. 13479-80, 13490-4
Passed without amendment H. R. 8159, to amend the national banking laws to clarify or eliminate ambiguities, repeal obsolete provisions (including provisions for national agricultural credit corporations), etc. pp. 13480-90
8. CREDIT UNIONS. Passed without amendment H. R. 8305, to make various amendments to the Federal Credit Union Act, including provisions to increase the maximum maturities of loans from 3 to 5 years, increase signature loan limits from \$400 to \$1,000, etc. pp. 13479, 13494-511
9. FOREIGN TRADE. Rep. Bailey charged that most of the big newspapers have a "strong bias toward the free-trade policy of the executive branch" and that this attitude is reflected in their news items. Several Representatives discussed this matter. pp. 13522-34
Rep. Curtis, Mo., inserted and discussed tables which, he said, indicate that the foreign aid program is resulting in increased foreign trade. pp. 13547-52
10. PERSONNEL. The Ways and Means Committee voted to report (but did not actually report) H. R. 135, to provide an income tax credit in the case of civil-service annuities received by nonresident alien individuals not engaged in trade or business with the U. S. p. D693
11. PAYROLLING. The Ways and Means Committee voted to report (but did not actually report) H. R. 3151, providing for withholding, for taxes by cities of 75,000 or more population, of Federal salaries. p. D693
12. CASEIN IMPORTS. The Ways and Means Committee voted to report (but did not actually report) H. R. 7456, to extend for 3 years the suspension of duty on imports of casein. p. D693
13. PUBLIC DEBT. Rep. Reuss defended the Ways and Means Committee's policy regarding management of the Federal debt, etc., against criticisms from the Federal Reserve Board, etc. pp. 13544-7
14. HOUSING. Rep. Rains criticized the President's veto of the housing bill. pp. 13514-22
15. LEGISLATIVE PROGRAM. Majority Leader McCormack announced next week's program as follows: Mon., Consent Calendar and suspensions including S. 1512, regarding Federal land banks; H. R. 7740, on acreage history and allotments; H. R. 6861, providing for State contributions to disaster relief; and S. 1289, extending the special milk program. Tues. and until terminated (if a rule is reported), the labor-management bill. p. 13466

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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For actions of July 30, 1959
86th-1st, No. 129

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HIGHLIGHTS: See page 7.

HOUSE

1. LABOR-HEW APPROPRIATION BILL FOR 1960. Both Houses agreed to the conference report on this bill, H. R. 6769, and acted on amendments which had been reported in disagreement. This bill will now be sent to the President. pp. 13442-4, 13450-2, 13466-75
2. INTERGOVERNMENTAL RELATIONS. The "Daily Digest" states that the Government Operations Committee voted to report, amended, (but did not actually report) H. R. 6904, to establish an Advisory Commission on Intergovernmental Relations (p. D692). The Committee was authorized to file its report until midnight tonight, July 31 (p. 13486).
3. RESEARCH. The Science and Astronautics Committee reported with amendment H. R. 8284, to make various amendments to the National Science Foundation Act (H. Rept. 740). p. 13563

The SPEAKER pro tempore (Mr. THORNBERRY). The question is on agreeing to the conference report.

The conference report was agreed to. A motion to reconsider was laid on the table.

FEDERAL CREDIT UNIONS

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules, I call up the resolution (H. Res. 334) providing for the consideration of H.R. 8305, a bill to amend the Federal Credit Union Act, and ask for its present consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8305) to amend the Federal Credit Union Act. After general debate, which shall be confined to the bill, and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. MADDEN. Mr. President, I yield 30 minutes to my colleague on the Committee on Rules, the gentleman from Idaho [Mr. BUDGE], and now yield myself such time as I may require.

Mr. Speaker, House Resolution 334 makes in order the consideration of H.R. 8305, which seeks to amend the Federal Credit Union Act. The resolution provides for an open rule and 2 hours of general debate.

H.R. 8305 would rewrite the Federal Credit Union Act, passed in 1934. A number of the amendments would clarify and modernize the act without making substantive changes. Among the more important substantive amendments are the following:

First. Increases maximum maturities of loans from 3 to 5 years.

Second. Increases signature loan limits from \$400 to \$1,000.

Third. Provides for loan officers to process loans within specified limits and makes other improvements in the organization of Federal credit unions to enable them to meet their members' needs more efficiently.

Fourth. Liberalizes borrowing restrictions on Federal credit union officials.

Fifth. Authorizes Federal credit unions to cash and sell checks to members for a reasonable fee.

Sixth. Authorizes dividends to be paid semiannually and allows dividend credit for savings received in the first 5 days of a month.

The bill would have no impact on the Federal budget inasmuch as the expenses incurred by the Bureau of Federal Credit Unions are paid out of fees collected from the supervised credit unions.

Although the Federal Credit Union Act has proven to be a remarkably effective instrument during the 25 years in which it has operated, it has not kept pace in many respects with the changes in our economy and the evolving needs of credit unions and their members which have risen during this period. The House Banking and Currency Committee is recommending a series of specific amendments which are designed to bring the act in tune with today's economy.

I urge the adoption of this resolution.

Mr. BUDGE. Mr. Speaker, this year marks the 50th anniversary of the first State credit union law—and the 25th anniversary of the Federal Credit Union Act.

The first credit union in the United States was organized in 1909. The Federal Credit Union Act was passed in 1934.

Today there are more than 9,000 Federal credit unions operating in the United States, its Territories, and possessions, including the District of Columbia—with a membership of over 5 million.

Although the Federal Credit Union Act has been law for only 25 of the 50 years credit unions have operated in the United States—almost half of the 20,000 credit unions which have been organized have been chartered by the Federal Government.

As of December 31, 1958, Federal credit unions had assets estimated at more than \$2 billion, and are growing at a rate of approximately \$300 million each year. During the past 25 years, less than one-fifth of 1 percent of the dollar amount loans made by Federal credit unions have been charged off as losses.

This bill would rewrite the Federal Credit Union Act. A number of the amendments would clarify and modernize the act without making substantive changes.

Among the more important substantive amendments are the following:

First. Increases maximum maturities of loans from 3 to 5 years.

Second. Increases signature loan limits from \$400 to \$1,000.

Third. Provides for loan officers to process loans within specified limits and makes other improvements in the organization of Federal credit unions to enable them to meet their members' needs more efficiently.

Fourth. Liberalizes borrowing restrictions on Federal credit union officials.

Fifth. Authorizes Federal credit unions to cash and sell checks to members for a reasonable fee.

Sixth. Authorizes dividends to be paid semiannually, and allows dividend credit for savings received in the first 5 days of a month.

No impact on the Federal budget, inasmuch as the expenses incurred by the Bureau of Federal Credit Unions are paid out of fees collected from the supervised credit unions.

Mr. MADDEN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

NATIONAL BANK AMENDMENTS— AMENDING LENDING AND BORROWING LIMITATIONS APPLICABLE TO NATIONAL BANKS AND AUTHORIZING APPOINTMENT OF AN ADDITIONAL DEPUTY COMPTROLLER OF THE CURRENCY

Mr. DELANEY. Mr. Speaker, by direction of the Committee on Rules, I call up the resolution (H. Res. 333) providing for the consideration of H.R. 8160, a bill to amend the lending and borrowing limitations applicable to national banks, to authorize the appointment of an additional Deputy Comptroller of the Currency, and for other purposes, and ask for its present consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8160) to amend the lending and borrowing limitations applicable to national banks, to authorize the appointment of an additional Deputy Comptroller of the Currency, and for other purposes. After general debate, which shall be confined to the bill, and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. DELANEY. Mr. Speaker, I yield 30 minutes to the gentleman from Idaho [Mr. BUDGE] and I now yield myself such time as I may require.

Mr. DELANEY. Mr. Speaker, House Resolution 333 makes in order the consideration of H.R. 8160, which would amend the lending and borrowing limitations applicable to national banks and would authorize the appointment of an additional Deputy Comptroller of the Currency, among other things. The resolution provides for an open rule and 1 hour of general debate.

H.R. 8160 makes four basic changes in the laws relating to national banks. The first section provides for an additional Deputy Comptroller and increases the surety bonds for the Comptroller and the Deputy Comptrollers. Section 2 increases the limit on borrowing by national banks from 100 percent of capital to 100 percent of capital plus 50 percent of surplus. Section 3 relates to the limit on loans by national banks to one borrower. Section 4 liberalizes some of the restrictions on real estate loans by national banks. The bill would allow national banks to make real estate loans up to 20 years, covering up to 75 percent of

the appraised value of the real estate, if the loans are fully amortized. It would also permit loans on leaseholds that run at least 10 years beyond the loan maturity. Finally, it would relax certain existing restrictions on construction loans, exempt from the usual restrictions on real estate loans any loan fully guaranteed by a State or State authority, and allow a bank to take a mortgage as additional security on certain business loans without thereby becoming subject to the real estate loan restrictions.

The bill would have no impact on the Federal budget inasmuch as the expenses incurred by the Comptroller of the Currency in supervising national banks are obtained by assessment against the banks supervised.

H.R. 8160 supersedes H.R. 6092 which was amended by a subcommittee of the House Banking and Currency Committee. H.R. 8160, a clean bill, incorporates the changes made in the original bill.

I urge the adoption of this resolution.

Mr. BUDGE. Mr. Speaker, this bill amends the lending and borrowing limitations applicable to national banks—to authorize the appointment of an additional Deputy Comptroller of the Currency—and for other purposes.

The bill makes four basic changes in the laws relating to national banks:

First. The first section relates to the Office of the Comptroller of the Currency, which supervises national banks. It provides for an additional Deputy Comptroller and increases the surety bonds for the Comptroller and the Deputy Comptrollers.

There are presently three deputies—one was authorized in the original National Bank Act in 1863; the second was authorized in 1909; and the third in 1923.

The volume of work in the Comptroller's Office has been increasing for many years with the growth in national bank assets. In 1923, when the last Deputy Comptroller was authorized, the total assets of national banks were less than \$22 billion—as of December 31, 1958, total assets had grown to over \$128 billion.

The bill would raise the surety bond required for the Comptroller from \$100,000 to \$250,000; and for the Deputy Comptrollers from \$50,000 to \$100,000.

This action is not a reflection on any of the individuals now occupying these offices. The Comptroller's bond was fixed in 1863; and the Deputy Comptrollers' bonds, in 1909. These amounts are now obviously outmoded.

Second. Increases the limit on borrowing by national banks, from 100 percent of capital, to 100 percent of capital plus 50 percent of surplus.

This increase in borrowing authority will permit banks, particularly smaller banks subject to heavy seasonal demands, to meet more adequately the financial needs of their communities, and without unduly increasing the risk involved.

With this enlargement of borrowing power, national banks would still be subject to stricter limits than apply in many States, where State banks may borrow up to the amount of their capital and surplus, and in some instances

greater amounts with the approval of the State bank supervisory authority.

Third. Section 3 relates to the limit on loans by national banks to one borrower.

Generally, the limit is now 10 percent of the bank's capital and surplus—but there are 12 exceptions permitting the national banks to make larger loans upon specified types of securities.

Under this bill, a 13th exception would be added, and three of the exceptions would be amended.

The three exceptions to be amended deal with loans secured by refrigerated or frozen foods, discounts by dealers in dairy cattle, loans secured by U.S. Government obligations.

The new exception deals exclusively with installment consumer paper and would apply to all such paper whether negotiable or nonnegotiable.

Fourth. Section 4 liberalizes some of the restrictions on real estate loans by national banks. This bill would allow national banks to make real estate loans up to 20 years, covering up to 75 percent of the appraised value of the real estate, if the loans are fully amortized. It would almost permit loans on leaseholds that run at least 10 years beyond the loan maturity. Finally, it would relax certain existing restrictions on construction loans, exempt from the usual restrictions on real estate loans any loan fully guaranteed by a State or State authority, and allow a bank to take a mortgage as additional security on certain business loans without thereby becoming subject to the real estate loan restrictions.

The bill would have no impact on the Federal budget, inasmuch as the expenses incurred by the Comptroller of the Currency in supervising national banks are obtained by assessment against the banks supervised.

Mr. DELANEY. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER pro tempore. The question is on agreeing to the resolution. The resolution was agreed to.

A motion to reconsider was laid on the table.

NATIONAL BANK AMENDMENTS AMENDING NATIONAL BANKING LAWS TO CLARIFY OR ELIMINATE AMBIGUITIES AND TO REPEAL CERTAIN LAWS WHICH HAVE BE- COME OBSOLETE

Mr. COLMER. Mr. Speaker, by direction of the Committee on Rules, I call up the resolution (H. Res. 332) providing for the consideration of H.R. 8159, a bill to amend the national banking laws to clarify or eliminate ambiguities, to repeal certain laws which have become obsolete, and for other purposes, and ask for its present consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8159) to amend the national banking laws to clarify or eliminate ambiguities, to repeal

certain laws which have become obsolete, and for other purposes. After general debate, which shall be confined to the bill, and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. COLMER. Mr. Speaker, House Resolution 332 makes in order the consideration of H.R. 8159, relating to technical amendments in national bank laws. The resolution provides for an open rule and 1 hour of general debate.

H.R. 8159 is designed primarily to repeal various obsolete provisions of the national banking laws, to clarify and eliminate existing ambiguities, and to add new authority relating to, first, change of location of national banks; second, liabilities of national banks to the Federal Deposit Insurance Corporation; third, length of time within which national banks must furnish condition reports; fourth, declaration of dividends of national banks; fifth, receipt of deposits by corporations not examined and regulated; and sixth, use of word "national" in title of national banks.

The bill would have no impact on the Federal budget inasmuch as the expenses incurred by the Comptroller of the Currency in supervising national banks are obtained by assessment against the banks supervised.

H.R. 8159 supersedes H.R. 6093 which was amended by a subcommittee of the House Banking and Currency Committee. H.R. 8159, a clean bill, incorporates the changes made in the original bill.

I urge the adoption of this resolution.

Mr. Speaker, I yield 30 minutes to the gentleman from Idaho [Mr. BUDGE] and pending his use of that time I yield 1 minute to the gentleman from New York [Mr. MULTER].

Mr. MULTER. Mr. Speaker, I ask unanimous consent to speak out of order.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MULTER. Mr. Speaker, I have placed on the Clerk's desk this morning and signed a discharge petition on the home rule bill. This afternoon during special orders the gentleman from Wisconsin [Mr. REUS] and the gentleman from New Jersey [Mr. WIDNALL] will address themselves to this question. I urge Members interested to be on the floor at that time and participate in the discussion. I also urge all Members, who want home rule for the District of Columbia to sign the discharge petition.

Mr. Speaker, I yield back the balance of my time.

Mr. COLMER. Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin [Mr. ZABLOCKI].

(Mr. ZABLOCKI asked and was given permission to revise and extend his remarks and to speak out of order.)

by shipping documents, warehouse receipts, or other such documents transferring or securing title covering refrigerated or frozen readily marketable staples when such property is fully covered by insurance, shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus when the market value of such staples securing such obligation is not at any time less than 115 per centum of the face amount of such additional obligation, but this exception shall not apply to obligations of any one person, copartnership, association, or corporation arising from the same transactions and/or secured by the identical staples for more than six months."

(b) Paragraph (7) of such section 5200 is amended by adding at the end thereof the following new sentence: "Obligations arising out of the discount by dealers in dairy cattle of paper given in payment for dairy cattle, which bear a full recourse endorsement or unconditional guarantee of the seller and are secured by the cattle being sold, shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus."

(c) Paragraph (8) of such section 5200 is amended by striking out "in the form of notes".

(d) Such section 5200 is further amended by adding at the end thereof the following new paragraph:

"(13) Obligations as endorser or guarantor of negotiable or nonnegotiable installment consumer paper which carries a full recourse endorsement or unconditional guarantee by the person, copartnership, association, or corporation transferring the same, shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus: *Provided, however,* That if the bank's files or the knowledge of its officers of the financial condition of each maker of such obligations is reasonably adequate, and upon certification by an officer of the bank designated for that purpose by the board of directors of the bank, that the responsibility of each maker of such obligations has been evaluated and the bank is relying primarily upon each such maker for the payment of such obligations, the limitations of this section as to the obligations of each such maker shall be the sole applicable loan limitation: *Provided further,* That such certification shall be in writing and shall be retained as part of the records of such bank."

Sec. 4. (a) The second sentence of section 24 of the Federal Reserve Act (12 U.S.C. 371) is amended to read as follows: "A loan secured by real estate within the meaning of this section shall be in the form of an obligation or obligations secured by a mortgage, trust deed, or other instrument upon real estate, which shall constitute a first lien on real estate in fee simple or, under such rules and regulations as may be prescribed by the Comptroller of the Currency, on a leasehold under a lease which does not expire for at least 10 years beyond the maturity date of the loan, and any national banking association may purchase any obligation so secured when the entire amount of such obligation is sold to the association."

(b) (1) The third sentence of section 24 of such Act is amended by inserting after "and (3)" the following: "any such loan may be made in an amount not to exceed 75 per centum of the appraised value of the real estate offered as security and for a term not longer than 20 years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize the entire prin-

cipal of the loan within the period ending on the date of its maturity, and (4)".

(2) The third sentence of such section 24 is further amended by inserting before the period at the end of the third sentence a comma and the following: "and shall not apply to real estate loans which are fully guaranteed or insured by a State, or by a State authority for the payment of the obligations of which the faith and credit of the State is pledged, if under the terms of the guaranty or insurance agreement the association will be assured of repayment in accordance with the terms of the loan".

(c) The third paragraph of section 24 of such Act is amended to read as follows:

"Loans made to finance the construction of industrial or commercial buildings and having maturities of not to exceed eighteen months where there is a valid and binding agreement entered into by a financially responsible lender to advance the full amount of the bank's loan upon the completion of the buildings and loans made to finance the construction of residential or farm buildings and having maturities of not to exceed nine months, shall not be considered as loans secured by real estate within the meaning of this section but shall be classed as ordinary commercial loans whether or not secured by a mortgage or similar lien on the real estate upon which the building or buildings are being constructed: *Provided,* That no national banking association shall invest in, or be liable on, any such loans in an aggregate amount in excess of 100 per centum of its actually paid-in and unimpaired capital plus 100 per centum of its unimpaired surplus fund. Notes representing loans made under this section to finance the construction of residential or farm buildings and having maturities of not to exceed nine months shall be eligible for discount as commercial paper within the terms of the second paragraph of section 13 of this Act if accompanied by a valid and binding agreement to advance the full amount of the loan upon the completion of the building entered into by an individual, partnership, association, or corporation acceptable to the discounting bank."

(d) Section 24 of such Act is further amended by adding at the end thereof the following new paragraph:

"Loans made to manufacturing and industrial businesses where the association looks for repayment out of the operations of the borrower's business, relying primarily on the borrower's general credit standing and forecast of operations, with or without other security, but wishes to take a mortgage on the borrower's real estate as a precaution against contingencies, shall not be considered as real estate loans within the meaning of this section but shall be classed as ordinary commercial loans."

Mr. SPENCE (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the further reading of the bill be dispensed with, that it be printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. GROSS. Mr. Chairman, I move to strike out the last word.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, there is a provision in this bill for an additional Deputy Comptroller. Perhaps this new officer is needed, I do not know. I wonder if somebody would briefly comment on the necessity for this new job. I am

interested in employment in the Federal Government and the spending of money for that purpose.

Mr. BROWN of Georgia. Mr. Chairman, the Government will not pay a dime toward the salary of this officer; salaries, as well as all expenses of the Office of the Comptroller are paid through assessments charged banks for the supervision they receive from the Office of the Comptroller.

During the last 25 years the work of this office has increased by 4 or 5 times. This additional officer is needed.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from New York.

Mr. MULTER. By way of further answering the gentleman's inquiry, may I say, Mr. Chairman, that the Comptroller's Office appeared before the committee and made out a fairly good case for two additional deputy comptrollers. As a matter of fact, the other body last year, after a case had been made out other there, authorized two additional deputy comptrollers. But our committee felt we ought to give them only one at this time and if they can make out a case later, after some experience with one additional deputy we would probably give them another additional deputy.

Let me emphasize that the cost of the operation of this office does not come out of Federal funds or out of the Treasury. They come from funds assessed against the banks that are regulated and controlled by the Comptroller's Office.

Mr. GROSS. Somebody pays for these people. This committee was here with a bill the other day creating an Inter-American Bank. You set up a new board or new commission and it was said that would not cost anything either. But somebody is going to have to pay.

Mr. MULTER. Yes; that is going to cost money.

Mr. GROSS. You are going to take that out of funds appropriated?

Mr. MULTER. The cost of operation of the Inter-American Bank will come out of the interest that the banks charge.

Mr. GROSS. It comes out of somebody's pocket, does it not?

Mr. MULTER. It comes out of the pocket of the banks, it comes out of the pocket of the stockholders, who would otherwise receive greater dividends.

Mr. GROSS. And out of the pockets of the people who do business with the bank?

Mr. MULTER. Incidentally, of course, what they pay in interest is used to pay both expenses and dividends.

Mr. GROSS. You came to the House and got \$450 million for the establishment of the Inter-American Bank. With the international lending agencies already in business there was no valid reason for the creation of this new and expensive setup.

Mr. MULTER. This House having gone along with setting up the Inter-American Bank, we should not now again debate that question. The gentleman should not try to hamstring the Comptroller of the United States in his regulation of our own banks.

Mr. GROSS. I am not going to make an issue out of this, but I would like to know what this deputy is going to be paid.

Mr. MULTER. I think the salaries of the deputy comptrollers and assistants or the aides are fixed by the Comptroller.

Mr. GROSS. By the Comptroller?

Mr. MULTER. By the Comptroller. There is no budgetary or appropriation committee control over these salaries.

Mr. GROSS. Then those salaries can be anything?

Mr. MULTER. We do fix the Comptroller's salary but not that of his deputies.

The CHAIRMAN. Are there any further amendments? If not, under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. Bass of Tennessee, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 8160) to amend the lending and borrowing limitations applicable to national banks, to authorize the appointment of an additional Deputy Comptroller of the Currency, and for other purposes, pursuant to House Resolution 333, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

FEDERAL CREDIT UNION ACT

Mr. SPENCE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8305) to amend the Federal Credit Union Act.

CALL OF THE HOUSE

Mr. McDONOUGH. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. CHELF. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 121]

Allen	Elliott	Moss
Auchincloss	Fallon	Moulder
Ayres	Farbstein	O'Brien, N.Y.
Baker	Fasell	Osmer
Barry	Frazier	Passman
Becker	Halleck	Pillion
Blitch	Hoffman, Ill.	Powell
Boykin	Horan	Preston
Brown, Mo.	Jensen	Rabaut
Buckley	Kilburn	Rogers, Tex.
Canfield	Kilwan	Santangelo
Carnahan	Lafore	Smith, Miss.
Celler	McDowell	Taylor
Dawson	Mack, Wash.	Thompson, La.
Dooley	Mitchell	Williams
Durham	Moeller	Winstead
Edmondson	Morrison	Zelenko

The SPEAKER. On this rollcall 379 Members have answered to their names, a quorum.

By unanimous consent further proceedings under the call were dispensed with.

FEDERAL CREDIT UNION ACT

The SPEAKER. The question is on the motion offered by the gentleman from Kentucky [Mr. SPENCE].

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8305) to amend the Federal Credit Union Act, with Mr. Bass of Tennessee in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule the gentleman from Kentucky [Mr. SPENCE] will be recognized for 1 hour, and the gentleman from California [Mr. McDONOUGH] for 1 hour.

The Chair recognizes the gentleman from Kentucky [Mr. SPENCE].

Mr. SPENCE. Mr. Chairman, I yield myself 7 minutes.

Mr. Chairman, I will not take any more time than I feel is absolutely necessary.

The credit union has probably grown faster than any other financial institution in America. The growth of credit unions has truly been phenomenal. I suppose there are more credit unions than National and State banks, and Federal and State savings and loan associations combined. In almost every industrial center you will find credit unions. They are entitled to wise and beneficent laws to protect the great number of workers who are members of these credit unions. When you consider this bill you should take into consideration first the interest of the members. The credit unions should be guided and guarded by laws that are unambiguous, laws that are designed for the protection of the workers of America. The money invested in these unions is not the money that comes from financial manipulation or from financial design. It is money that comes from the sweat and the labor of the people themselves and we should see that they are protected. That objective should be in the minds of the Members of Congress when considering legislation enacted for that purpose.

Mr. Chairman, this bill serves that purpose. It has extended the limit of signature loans to members from \$400 to \$1,000. It has lengthened the maturity period from 3 to 5 years. It has provided for a loan officer who shall perform the duties heretofore performed by the board of directors in authorizing loans to the members.

I hope that the credit unions will grow in strength and in influence; but the very fact that they are growing so fast, the very fact that they are getting to be a great financial segment of our country, indicates that unless they are guarded by wise laws their usefulness may be impaired. These laws should be enacted after careful study and not as the result of influence. You have an important question presented to you

that may mean much in regard to the future usefulness and soundness of these institutions. They do the very useful, patriotic work of encouraging thrift and saving upon which the independence of our people is founded.

Mr. Chairman, I hope we may vote the bill out without amendment.

Mr. McDONOUGH. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, I concur in practically all of the things that the chairman of the committee has stated concerning the benefits of the Federal credit unions throughout the country. They are a source of thrift and a means of funds to the medium and low income groups that is not otherwise provided, and I believe it is the responsibility of the Congress to protect the interests of the Federal credit unions. They have accumulated assets amounting to some \$2 billion. There are some 9,000 credit unions throughout the country, and I am sure that all of us have heard from members of the credit unions in our districts concerning this bill and urging the adoption of it.

The pertinent points that this bill will achieve are to increase maximum maturities of loans from 3 to 5 years. It increases signature loan limits from \$400 to \$1,000. It provides for loan officers to process loans within specified limits and makes other improvements in the organization of Federal credit unions to enable them to meet their members' needs more efficiently. It liberalizes borrowing restrictions on Federal credit union officials. It authorizes Federal credit union to cash and sell checks to members for a reasonable fee. It authorizes dividends to be paid semiannually and allows dividend credit for savings received in the first 5 days of a month.

Much of the service rendered by the credit unions throughout the country is voluntary; there is no salary or any compensation paid for the services of many small credit unions, and for that reason it is something that we should encourage so far as thrift of the average citizens of this country is concerned, who is using and obtaining the benefit of the credit unions, and those who may become participants in other credit unions of their particular crafts or professions.

HISTORY OF CREDIT UNIONS

This year marks the 50th anniversary of the first State credit union law and the 25th anniversary of the Federal Credit Union Act. The Federal Credit Union Act, passed in 1934, has proved to be a most workable and worthwhile program which has assisted over 5 million of our citizens in meeting in part their growing credit needs and at the same time encouraging them to save.

The first credit union in the United States was organized in Manchester, N.H., in 1909 with the first law in the United States on this subject being passed in the State of Massachusetts in the same year. The sponsors of this law, Pierre Jay, then banking commissioner of Massachusetts, and Edward A. Filene, a prominent Boston philanthropist, firmly espoused credit unions as a method by which people with limited

financial means could gain a larger share of control over their own economic destinies.

Today there are more than 9,000 Federal credit unions operating in the United States and its Territories and possessions, including the District of Columbia, with a membership of over 5 million. Although the Federal Credit Union Act has been law for only 25 of the 50 years credit unions have operated in the United States, almost half of the 20,000 credit unions which have been organized in this country have been chartered by the Federal Government.

As of December 31, 1958, Federal credit unions had assets estimated at more than \$2 billion and are growing at a rate of approximately \$300 million each year. It is also important to note that during the past 25 years, less than one-fifth of 1 percent of the dollar amount loans made by Federal credit unions have been charged off as losses.

Mr. Chairman, I urge the adoption of the bill.

Mr. BAILEY. Mr. Chairman, will the gentleman yield?

Mr. McDONOUGH. I yield to the gentleman from West Virginia.

Mr. BAILEY. I would like to take the time to put in the RECORD a wire I just received:

The West Virginia Credit Union League representing 115 credit unions and 18,285 credit union members in our State urges you to be present and vote for H.R. 8305 which we understand is scheduled for House floor action this afternoon. This bill contains many amendments we desire to see made in the Federal Credit Union Act. Thank you for your support.

CHARLES H. WESCHLER,
Managing Director.

Mr. McDONOUGH. I thank the gentleman.

Mrs. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. McDONOUGH. I yield to the gentleman from Illinois.

Mrs. CHURCH. Mr. Chairman, I want to thank the committee and the gentleman in particular, for bringing out this bill. As the gentleman knows, there is no State in the Union that has a stronger Federal credit union system than the State of Illinois with its 800,000 members. I am happy to assure the gentleman that the leadership of that group and the members themselves feel that the amendments offered in H.R. 8305 have long been needed and are essential. I urge the passage of the bill.

Mr. McDONOUGH. I thank the gentleman.

(Mr. McDONOUGH asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. PATMAN].

(Mr. PATMAN asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Mr. Chairman, this bill provides for amendments to the Federal Credit Union Act. This act became law 25 years ago this year. It had among its sponsors, at that time, practically all of the Members of the House and the Senate.

There are 26 members of the present Congress, the 86th Congress, who were original sponsors of the Federal Credit Union Act. In the other body: Senators BYRD, CHAVEZ, HAYDEN, HILL, O'MAHONEY, RUSSELL, and DIRKSEN, and in the House of Representatives Messrs. BROWN of Georgia, CANNON, CELLER, COLMER, McCORMACK, O'BRIEN of Illinois, RAYBURN, SMITH of Virginia, SPENCE, VINSON, WALTER, ALLEN, MARTIN, REECE of Tennessee, TABER, WITHROW, Mrs. ROGERS of Massachusetts, and myself.

During the past 25 years, the act has been administered in a very satisfactory way. The original authors could not help being highly pleased with the success of this law. It has done great good for countless numbers of people.

This is the 50th anniversary year of credit unions in the United States. Fifty years ago, the State of Massachusetts enacted the first State Credit Union Act—that was in 1909. The Federal Credit Union Act was passed, as I have said, 25 years ago.

Today there are about 19,000 credit unions, approximately half of which are State credit unions, and about half of which are Federal credit unions. They are all doing a wonderful job. They are thrift organizations. They encourage people to save, and they encourage self-reliance. When you support credit unions, you are supporting something that, as far as savings are concerned, are of the order of E Bonds. And you are helping people help themselves to carry out many good purposes.

Credit unions are good for the country generally—not just for the 10 million or so people who are served by them directly. For example, they generate low rates of interest. The highest interest charged by a credit union is 1 percent a month on the unpaid balance, which means 6.2 percent interest on a loan amortized over the period of a year. Most improvement loans, such as those made by FHA, are based upon a 5 percent discount rate, which means an interest rate of 9.7 percent. But 1 percent a month amortized over a period of a year is the highest rate any credit union charges; and generally they do not charge that much.

They help poor people. They keep the young people and the less sophisticated people out of the clutches of the loan sharks. This is one of the great benefits of credit unions. Credit-union members who are in distress, who need financial help immediately, when the need is urgent, can be sure they will get that help quickly and without trouble. Further, credit unions help their members finance many kinds of worthy purchases. And credit unions are the only financial institution—remember this—the only financial institution that costs the Government nothing. Credit unions pay their own way. We appropriate no subsidies for them, and we give them no delegation of the Government's power to create money. They pay for all examinations and for all supervision. They do not cost the taxpayers one penny. That is something worthy of consideration.

The loans are made principally upon character and upon worthiness of the purpose for which the loan is to be used. I think the best security on earth is character—character loans. These institutions are old fashioned enough—if I might call it old fashioned—to base a loan upon character as collateral. They base their loans, practically all of them, upon character.

And what do you suppose their losses are? Their losses have been one-fifth of 1 percent over the 50 years they have been in operation. Let me repeat that failures to repay loans have amounted to one-fifth of 1 percent of the amount that has been lent. I doubt if there is any financial institution that can boast of a better record.

Credit unions are operated by local people, and they do a wonderful job.

I believe that this legislation will be met with the unanimous approval of the Members of the House. I am proud of the Committee on Banking and Currency for the consideration it gave to the bill, and for the genuine, careful study given to the questions it is designed to answer. The bill was carefully considered in every way. I will be surprised if there is a single objection to the bill as it is presented.

We have one amendment we would like to have adopted. It is an amendment which would permit the formation of what are called central credit unions. The amendment is quite simple and I know that when you understand it, you will be for it. Unlike State credit unions, Federal credit unions may not deposit funds in another credit union, yet there are times when one credit union has a surplus of funds, at the very time another has more proper loan demands than it can meet. The amendment will allow what are called central credit unions to be formed, under appropriate safeguards, to accept funds from credit unions having a surplus and to invest funds in other credit unions having more loan requests than they can meet. The subcommittee which first studied the bill recommended this provision. However, the full committee failed to accept it, by a very narrow margin and, instead, the committee put a provision in its report asking the Director of the Federal credit unions, in the Department of Health, Education and Welfare, to prepare for us, by January 15, a program for central credit unions.

Mr. MULTER. Mr. Chairman, will the gentleman yield for a correction?

Mr. PATMAN. I yield.

Mr. MULTER. It is not in the report, it is a direction in the bill.

Mr. PATMAN. That is right; and I thank the gentleman. It was put into the bill. That makes it more unusual, to put such a request into the bill. We could get that program from the Director by making a request of him. Any Member of the House or Senate could do that, and get the program.

We know that the bill is not likely to pass the other body before January 15, so, this January 15 date does not mean anything. We should pass the bill with the central credit union provision in it.

Then, the other body will call Mr. Gannon, the Director of the Bureau of Federal Credit Unions—HEW—and have him as a witness and make sure that the provision we have passed is adequate and satisfactory in his view. If it is not, of course, it can then be changed. But, there is no reason to wait for a report from him.

The majority report on this bill—House Report No. 696—explains the reasoning for the committee's rejection of the central credit union provision—on page 1—as follows:

The objective of distributing savings throughout a group of credit unions so as to avoid situations where funds lie fallow in some credit unions while others lack funds to make loans is certainly a worthy one. At the same time, we must make sure that any system devised to meet this objective does not involve any unnecessary risk for those who entrust their savings to their local credit unions. We must make sure, too, that if a new institution is created to make loans to officers reasonable precautions are taken to avoid possible abuses resulting from conflicts of interest between officers and members of credit unions. Your committee was not satisfied that the central credit union provisions of H.R. 5777 had been perfected to the point where these conditions were met. Accordingly, your committee did not include provisions for central credit unions in the bill as reported. Instead, the bill contains a provision (sec. 3) directing the Bureau of Federal Credit Unions to consider these problems and present a draft proposal which will include sufficient guidelines and safeguards to insure protection of the members of local credit unions as well as sufficient powers to permit Federal central credit unions to function effectively.

Local Federal credit unions have operated very effectively for 25 years with the safeguards contained in the present law and these are also contained in H.R. 8305. The proposed amendment to permit the chartering and operations of Federal central credit unions has been drafted so that all of the restrictions and safeguards applying to local credit unions, would apply equally to Federal central credit unions.

Since existing safeguards and restrictions have provided ample control for the credit unions and their officers, and since no objections were heard by the committee in regard to the administration of credit unions, I fail to understand how these same restrictions and safeguards could be deemed possibly inadequate when applied to Federal central credit unions and their officers. Furthermore, the amendment is modeled after the statutes of many States which permit such central credit unions. These State chartered central credit unions have a long history of successful and safe operations, so this will not be pioneering any new ground.

I have a telegram here from the Credit Union National Association, who urge that the House of Representatives please put this provision in the bill. I will read it as follows:

Hon. WRIGHT PATMAN,
U.S. House of Representatives,
Washington, D.C.:

We urge you as chairman of Subcommittee No. 30F, the House Banking and Currency Committee, to do everything possible to reinstate the provisions for Federal central credit unions in H.R. 8305.

CREDIT UNION NATIONAL ASSOCIATION.

The credit unions need the provision, and they need it badly. I want to tell you why they need it. Let us take, for instance, any church, and nearly all churches have a credit union, and I might also point out that workers and employees here in the Federal Government have credit unions. There is, for example, a credit union in the Federal Reserve Board. They have a credit union in the Treasury Department. They have credit unions in nearly every agency of the Government, and in the Congress. And they are doing a wonderful job.

Mr. BAILEY. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. BAILEY. The gentleman is aware of the telegram from the National Association of Credit Unions?

Mr. PATMAN. Yes.

Mr. BAILEY. If they want that amendment of yours in the bill, why have they not notified their State associations because I just put in the RECORD a wire from our State and they do not say anything about this. They just want the bill passed as it was.

Mr. PATMAN. Time has been short. They did not have time to get the information out. You know, it has been a very short time since the bill was reported out. I assure you they want this central credit union provision.

Let us take a church, for instance, that has an organization in the southern part of town and one in the northern part of town. The church in the southern part of town has people needing to borrow more money than has been put into the credit union. The church in the northern part of town is different; it has more money than is needed for loans, and it is not using its surplus funds. The church in the southern part of town would like to borrow the surplus money that is in the church in the northern part of town and pay interest on it and put it to good use. That would help both credit unions, the credit union with the surplus and the credit union having more loan demands than available funds at the moment. Under existing law, that cannot be done. A State credit union can do that, but a Federal credit union cannot. The amendment that will be offered by the gentleman from Colorado [Mr. JOHNSON], will permit Federal credit unions to have the same kind of central credit unions that the States have. The amendment will do nothing more and nothing less. So I do not think that should be denied to these people.

Some say the bankers would fight this proposal. But I cannot conceive of a banker saying that you ought to deny that credit union in the northern part of town the right to lend funds to the credit union in the southern part of town, that you should require that church in the southern part of town to borrow from the bank or not at all. I do not believe the bankers are going to insist upon that. That would be going too far. I do not think bankers are like that at all. Bankers would like to see these credit unions use their funds and their facilities to help people in the most satisfactory way. I feel sure of that. Remember this—every dollar of the

credit unions' money must be deposited in a bank. The credit unions cannot keep their money in a safe. So the banks are better off by reason of the credit unions. The more money people save, the more the banks are benefited.

The credit unions pull in money in small amounts, amounts so small the banks would not want to be bothered with handling it in individual accounts, and they then deposit it in a lump sum in a bank. The bank then has the opportunity to use the money, to make loans with it or buy interest-bearing bonds with it. This helps the banks, so the bankers should not be opposed to encouraging the credit unions.

Credit unions increase bank deposits, and bankers are dependent upon deposits, as you know.

So this is not in opposition to the banks. It will help the borrowers of small means; it will help everybody. It will help insure low interest rates. It will help prevent usury. It will save people from loan sharks.

Credit unions are all thrift institutions; they encourage people to save. When you help the folks in the credit unions you are helping those among the finest people in America. Most of these people are wage earners, not wealthy people. They are in the low income brackets principally, and I believe that we ought to encourage these people in their efforts to save, to help their neighbors and to use their money in responsible ways.

I hope that the central credit union credit amendment which is to be offered by the gentleman from Colorado [Mr. JOHNSON] is adopted. Really, I wish it would be adopted unanimously. I hope the gentlemen who have been inclined to oppose it will not oppose it. When the bill goes to the Senate, the Senate committee can call Mr. Gannon, the Director of the Federal Credit Unions. He will be asked: Is this central credit union provision the House put in all right? If it is not, the provision will be amended, and I predict that the Senate will do a conscientious job, just as the Banking Committee of the House has done. Let us put the amendment in the bill, Mr. Chairman.

Mr. Chairman, I will insert at this point an article titled "The New Drive Against Alabama Loan Sharks." It appears in the Credit Union for August 1959, as follows:

NEW DRIVE AGAINST ALABAMA LOAN SHARKS

The attorney general of Alabama has apparently achieved a breakthrough against loan sharks. On June 25 the State supreme court sustained a lower court decision holding that the attorney general can proceed against loan sharks through group injunctions charging public nuisance. This novel development may provide an effective weapon against the Alabama sharks who up to now have been having a field day.

Last year an examination of 82 borrower affidavits revealed interest charges running from 11.6 percent to 2,240 percent. The average interest for 319 loans included in this analysis was 301.9 percent. Other borrowers paid even higher rates; some were charged over 3,000 percent. Several affidavits in the files of the State's attorney general show that some victims have paid in excess of 7,000 percent.

Alabama has a basic small loans and usury law which sets a limit of 6 percent on oral

and 8 percent on written contracts. But it also says, "The charging of interest at an interest rate in excess of 8 percent per annum shall not be deemed to be a criminal offense." In other words, no teeth.

A battle between the attorney general's office and the loan sharks on new grounds began 4 years ago. During the summer of 1955, the attorney general sought an injunction against a Montgomery loan company on the grounds that it was a public nuisance because it was making illegal interest charges. On appeal, the State's supreme court agreed with the attorney general.

HANDLED BY SPARKS

In 1957 two more injunctions were sought, one of them against 23 lenders in Anniston. The Anniston case was the one which eventually succeeded in the supreme court this spring. In charge of collecting evidence and presenting the case in court was an energetic attorney named Guy Sparks, who happens also to be counsel to the Alabama Credit Union League. Until the Alabama Supreme Court's recent approval of the mass indictment method in the Anniston case, the attorney general was able to act only against individual violators.

A new attorney general, MacDonald Gallion, reopened the State's anti-loan-shark campaign this spring. He obtained injunctions against three Mobile loan companies, enjoining them from charging illegal interest rates and collecting illegal interest on previous loans. Says Gallion: "This is the first in a series of injunctions that will be sought by the attorney general's department on a statewide basis."

Here are three affidavits of loan shark victims obtained by Alabama's attorney general:

James J. Messer, a father of two youngsters, employed as a locomotive repair worker by the U.S. Army, said on January 11, 1958: "I have been dealing with loan companies in Anniston, Ala., off and on since 1932, or maybe longer than that. I have been dealing with them ever since there was only one or two in Anniston. I have owed as high as 13 of them at one time. I know lots of fellows who have really been hurt by them too. I have seen some fellows lose some awfully good jobs on account of them."

Messer reports that the records furnished him by the various loan companies for his income-tax reports show that he made these interest payments during 1949, 1950, 1954, 1955, and 1956:

1949:	
Employees Finance Co.....	\$67.40
Family Loan Co.....	38.50
Alabama Finance Co.....	160.00
E-Z Loan Co.....	97.56
Delta Loan Co.....	73.40
American Loan Co.....	72.80
Star Finance Co.....	98.00
Total.....	607.66

1950:	
Alabama Finance Co.....	257.75
Ward Finance Co.....	95.50
Employees Finance Co.....	243.76
Family Loan Co.....	139.90
State Loan Co.....	199.20
Total.....	936.11

1954:	
Mutual Loan Co.....	80.80
Employees Finance Co.....	51.66
American Loan Co.....	89.60
State Finance Co.....	176.30
Alabama Finance Co.....	180.00
Friendly Finance Co.....	60.00
Family Loan Co.....	151.20
Ace Finance Co.....	53.20
Ward Finance Co.....	81.00
Dixie Finance Co.....	49.80
Total.....	973.56

1955:	
American Loan Co.....	\$175.00
Alabama Finance Co.....	160.00
Friendly Finance Co.....	68.80
Ward Finance Co.....	64.15
Family Loan Co.....	231.20
Employees Finance Co.....	83.80
Ace Finance Co.....	106.40
Dixie Finance Co.....	66.03
State Finance Co.....	347.36
Mutual Loan Co.....	85.40
Total.....	1,388.14

1956:	
Fidelity Finance Co.....	61.20
Friendly Finance Co.....	29.46
State Finance Co.....	99.15
Ace Finance Co.....	22.86
Family Loan Co.....	210.46
Mutual Loan Co.....	40.46
Calhoun Credit Co.....	30.46
Gordon's Finance Co.....	7.60
Time Loan Service.....	37.56
American Loan Co.....	149.60
Ward Finance Co.....	23.60
Total.....	712.41

Continues Messer in his affidavit: "I have not tried to get the 1957 interest statements from them yet.

"At the present time, I owe several loan companies. I owe Employees, Ace, Family, Calhoun Credit, Mutual Loan Co., State Loan, Gordon's Finance, Time Loan Service, American Loan Co., Fidelity Finance Co., and Ward. I have been dealing with all of them for years.

"At Family Loan I was charged a special low rate in the last 2 years of \$12.50 per hundred dollars for 30 days. I paid it all off in 30 days. This was their special low rate. Before then I paid \$15 per hundred dollars for 30 days. I made many loans there at these rates.

"At Ace Finance Co., I have always paid \$15 interest per 30 days on a hundred dollars, and I've made a lot of loans there at that rate.

"At Mutual Loan Co., I have always paid \$7.60 on \$50 per 1 month. If you were late you paid 5 cents on each dollar for each week or part of the week you were late. I have made a lot of loans there at this rate.

"At Ward Finance Co., I always paid \$7.60 interest on a \$50 loan in a month. I have made a lot of loans there.

"Fidelity Finance Co. charged me twenty-some-odd dollars interest on \$100 for a month. Recently, they went down to \$17 and something on \$100 loan for 30 days.

"Time Loan Service always charged me \$10 interest on \$50 for a month.

"Calhoun Credit Co., always charged me \$7.60 a month for \$50.

"American Loan always charged me \$35 interest on \$100 for 3 months. I would pay it off in three equal monthly payments of \$45.

"Gordon's Finance always charged me \$7.66 on \$50 for 1 month in interest.

"I have made many, many loans from all these companies at the interest rates I said over the past years, and right up to now. I've renewed many, many times with all of them. The last time I was near to being out of debt to loan companies was in 1956 when I only owed one of them. From 1938-39 to 1956, I never got out of debt to them.

"I've many many time, more times than I can remember, I have borrowed from one of these loan companies to pay another. I borrowed in 1956 from one of them to pay off all the others. That's how I got down to owing just one in 1956.

"I've been written some bad letters from these loan companies about my debts to them.

"My wife gets angry at me about my borrowing from these loan companies and about owing so many of them. She has

fussed at me about it. There is no use in denying that. I don't blame her one bit.

"It would be hard to say just how much interest the Anniston loan companies have gotten off of me. It would be a lot.

"I make \$5,700 a year now. This is the most I have ever made in salary. In 1956, I made \$5,260, which was my best year before this year of 1957.

"I have got lots and lots of records of my dealings with the loan companies."

Jack Graham, a foundry worker and father of two children, swore to this statement before a notary public on November 13, 1957:

"I work at Rudisill Foundry about 3 days a week. I've been back to work about 6 weeks.

"I first began borrowing from Mrs. Jones in 1942. That was the year that I came to work in Anniston. I needed some money to move my family from Alexander City. I went to see Mrs. Jones. I think she was with Southern Finance then. She was in the Wilson Building on the first floor, and later on she moved down in the basement.

"I borrowed \$50 from her. I signed to pay back \$75. My payments were \$7 a week for about 6 months. I paid that note out, but I needed some more money for my family and I borrowed from her again. The same kind of loan. I paid on that note for about 6 months and it seemed like I couldn't get it all paid up. Mrs. Jones told me that I could renew the note and it would be just like a new loan with the same interest.

"I started renewing notes with her. This went on and on and sometimes if I had that note over half paid off, she would let me have the difference between what I owed and \$50 and we would make a new note for \$50 with same interest and same \$7 payment. Sometimes it would take me nearly a year to get paid up. I would need money for doctor bills and trying to fix up my house and I would borrow again from her.

NEVER OUT OF DEBT

"The amounts that I would get then would usually be \$50. The biggest amount that I ever got was \$100. The payments would be \$7 a week. This has been going on and on since 1942. The most I've gone without owning her anything is about a month.

"I got to owing some other debts. My work got cut down to 3 days a week. I filed a debtor's petition last fall. Mrs. Jones got me to leave her account off. They have changed the names of her place so much, but I reckon she was running the Jones Discount by then. I was to make my payments at the * * * Building. I paid \$15 down there and then they started taking the payments out of my pay at the shop.

Mrs. Jones cut my payments to her from \$7 a week down to \$5 a week. I renewed it one time since then I think I got \$15 one time. I made these payments until about 4 weeks before May 8, 1957. About 2 weeks before then I paid \$10. I generally carried my payments by the office.

"I had a good record of making my payments on time, but during the summer of 1956, times began to get so tough that I was having a hard time meeting expenses. It looked like it was all I could do to pay the light and water bills, make payments on my furniture, and make the payments on my house to keep them from taking it away from me and keep the notes paid up.

"I had to live closer than hen's teeth to make ends meet. Me and the children and my wife wore old clothes a lot of the time and didn't have enough to eat. It was hard to buy schoolbooks for the children. I was making around \$30 to \$32 a week.

"During the summer of 1956 a few times I began to be a little late in making the payments to Mrs. Jones because I would have to pay my grocery bill in order to get something for my family to eat the next

week. Mrs. Jones then started sending Mr. Tommy Welch around to my house to see about it. The first time he came he said Mrs. Jones told him to tell me that I ought to file a debtor's petition in court and put the names of all the other people I owed, but leave her off the papers in court. She said that was a good way to get the strain off me and that the other fellows couldn't bother me. I told Mr. Welch to tell Mrs. Jones that I would have to study about it.

"He came back the next week and said Mrs. Jones wanted to know what I had decided to do about it. I told him that I couldn't see that it would help too much that way. He urged me to do it and said that the other fellows couldn't do nothing to me and would have to leave me alone and that Mrs. Jones would cut my payments to her to \$5 a week and I could pay them weekly all along until I paid them out.

"I decided to go with him and went and filed the debtor's petition and Mrs. Jones paid \$25 for me. I went back by Mrs. Jones' office and renewed my note with them and they added the \$25 on to it. They said I then owed them \$175. Before I renewed it I owed \$120. This note had already been renewed twice. I don't remember how much money I had gotten on this note.

"The court was taking \$15 a week out of my pay after I made the first \$15 payment. I was paying Mrs. Jones \$5 a week. That only left me \$10 or \$12 a week out of my wages to buy food, pay light and water bills and buy coal. It was tough to get by on. I got all the odd jobs I could. I would usually get about \$5 a day. Some weeks I could barely get by. Other weeks me and my family would do without things—clothes and food. I kept my payments up with Mrs. Jones until the spring of this year.

"When I would be late on a payment she would send Mr. Welch to see me. He came to my house three times—one time I paid him \$10. The other two \$5. They said I still owed them \$141. The fourth time I saw Mr. Welch, I was walking up Spruce Street and was at the intersection of Bynum Street, sometimes called Second Street. Mr. Welch came up from behind me on Spruce Street in his car. He stopped and called to me. He said he had come to collect his money or kill me one. I said it would be Friday before I would have any money. I had turned around so I could go over and talk with him. I didn't hear him say anything else and he started shooting me with a pistol. He shot me five times. This happened on May 8, 1957.

"I was carried to the hospital. I stayed on the operating table 7½ hours. The first time I was in the hospital for 5 weeks. I was then out 2 weeks and had to go for another operation. That operation was 7 hours. I was in the hospital 3 weeks that time. I thank the Lord that I'm still alive. My legs still give me a lot of trouble.

"I've only borrowed money from one other loan company in Anniston. This was in 1942. I don't remember the name of the company. I've always tried to pay my debts. I always thought that Mrs. Jones was charging me what the law allowed for interest on her money. I don't know what the legal rate of interest is but I thought the law took care of that. I've worked mighty hard and always took odd jobs when I could. My family and me have done without a lot of things so I could keep my notes paid up on time. It's still tough to get by on 3 days a week."

Mingo Bracy, a totally disabled World War I veteran, made this statement on February 28, 1955, in Montgomery, Ala.:

"About 7 years ago, in 1948, I made three loans with Leavell Banking Co., located upstairs on South Court Street. I borrowed \$50 on the first loan, signed a note for \$60 and paid \$10 per month. On the second loan I borrowed \$20, signed a note for \$24 and paid

\$4 per month. On the third loan I borrowed \$10, signed a note for \$12 and paid \$2 per month.

"When I carried the \$16 in each month, Mr. Leavell would separate it and say 'here is a \$10 interest payment on your \$50 indebtedness.' He would then have me sign a renewal note for \$60. Then he would take \$4 and say 'here is a \$4 interest payment on your \$20 indebtedness,' fix a renewal note for \$24 and have me sign it. Then he would take \$2 and say 'here is a \$2 interest payment on your \$10 indebtedness,' fix a renewal note for \$12 and have me sign it.

"All of this \$16 was interest alone; I was not touching the principal. I kept that up for about 7 years. In my best judgment I paid about \$1,344 on these debts.

"I am a veteran of World War I and get 100 percent total disability. I receive a check from the Federal Government which now amounts to \$202 a month but it was not this much 7 years ago. About then I was only getting about \$150 a month.

"About 6 years ago I told Mr. Leavell that I did not want to go bankrupt but I was going to the court and make arrangements to pay my creditors as best I could. Mr. Leavell asked not to carry him to court; that he would get me a lawyer. He sent me to Lawyer Robert Coburn and loaned me \$20 to start paying Lawyer Coburn, had me sign another note and sent me back to Lawyer Coburn with the \$20 which I paid Lawyer Coburn.

"I did not list Leavell Banking Co. at that time for this reason but Mr. Coburn put me in a debtor's petition. This was in 1949. I kept on paying Leavell off at \$16 per month and signing renewal notes. I think I paid the court about \$15 per month on my debts. None of the loan companies I owed filed their claim against me.

"I also owed for some furniture at Frank Tennille Furniture Co., and some jewelry at Elebash Jewelers but did not list these in my debtor's petition. I went by and told each of them what I was going to do but that I was not going to list them and have since paid them in full. I was discharged from my petition in June 1952.

"I also borrowed \$50 from Mr. Berry when he was manager of Capitol Finance Co. and signed a note for \$60. I included him in my debtor's petition which I filed in 1949. After that Mr. Berry left Capitol Finance and went with Boswell Finance Co. He stopped me on the street one day and asked me to come by and get some more money; that he was not going to file a claim in the other proceeding. The first time I borrowed \$30 and signed a note for \$45. He finally made me pay this in a lump sum and then I borrowed \$20, signed a note for \$24 and paid \$4 per month until I carried him into debtor's petition in August 1954, at which time I also carried Watson Finance Co., Capitol Finance Co. and Leavell Banking Co. I had borrowed \$50 from both Capitol Finance Co. and Boswell Finance Co., signed notes for \$60 and had paid each company \$10 per month for about 3 years. They were ordered to appear on February 21, 1955 before the Referee in Bankruptcy to propound their claims but none of these loan companies filed any claim at all.

"Sometimes when the collectors came by to get their money I would not have received my Government check. When I told them my check had not come, they would threaten to take me for a ride if I did not pay them. I would rather not name these collectors.

"About 7 years ago I borrowed \$50 from Lawyer John Sankey, who operated Star Loan Co. I paid him \$10 per month and he would renew the note for \$60 each month. Sometimes it would be around the third of the month before I got my Government check and could pay him. He would say that I used to be true as a clock but I was falling down. I kept this up for

3 or 4 years until I included my debt to him in my debtor's petition. In my best judgment I paid him at least \$480. He did not file his claim against me in Federal court either."

An Anniston lawyer sums up Alabama's loan shark problem in these words: "We have an ugly situation down here that is costing our people millions of dollars each year in illegal interest. The brunt of this cost falls on those least able to pay. Their situation is daily made worse by the loan companies of Alabama. Far from filling a financial need for these people, the loan companies of Alabama make their financial plight ever worse."

Mr. McDONOUGH. Mr. Chairman, I yield 5 minutes to the gentleman from New Hampshire [Mr. BASS].

Mr. BASS of New Hampshire. Mr. Chairman, I rise in support of this bill. Perhaps it would be appropriate for me to point out that in my own home State of New Hampshire the first credit union was formed. That was back in 1909. Since then the credit union movement has grown to be a very important factor, and to fill a very real need in our national economy.

I am in full support of this bill which would clarify and modernize as well as add several substantive provisions to the present act. So, Mr. Chairman, I join with my distinguished chairman of the Banking and Currency Committee in asking the House to pass this bill without amendment.

Mr. Chairman, I yield back the balance of my time.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Colorado [Mr. JOHNSON].

Mr. JOHNSON of Colorado. Mr. Chairman, I serve on Subcommittee No. 3 of the Banking and Currency Committee. In the course of the hearings of that committee we took extensive testimony not only with respect to the technical amendments which are contained in the bill reported to the House, but also with respect to the advisability and desirability of giving the Federal credit unions the same rights which most State credit unions have, which is, of course, to join together for a variety of purposes in central credit unions.

The essential purposes of central credit unions have been set forth in the supplemental views contained in the House report filed by a number of members of the committee. Essentially they make it easier for credit unions to operate and free them from certain disabilities so that they may use more effectively surplus capital they may have from time to time, because they have different seasonal needs. Some credit unions have extra funds at one particular time when others do not have such, and need funds, and vice versa.

Also because credit unions have been under very strict and tight restrictions, an officer cannot borrow from the credit union more than he has deposited in the union. You may ask why he should borrow rather than withdraw his deposit. There are a variety of reasons including a sense of ownership, and certain insurance features which would justify, in effect, a man borrowing his deposits rather than withdrawing his deposits.

Testimony with respect to Central Federal credit unions in the affirmative can be found at pages 5, 9, 32, 37, 103, 109, 111, 114, and 149 in the hearings. In the report which is in your hands, the supplemental views set forth, starting at page 8 and continuing on through page 14, contain a portion of this testimony verbatim from the hearings before the subcommittee. By reading this you may know what the position was of the persons who appeared before the subcommittee in support of the idea of the central Federal credit unions. In addition to that, on pages 15 and 16 are additional facts which may be of interest. For example, there are over 25 semi-central credit unions. Now these are central credit unions only for officers of Federal unions and they are organized as Federal officer credit unions rather than as Federal central credit unions. A credit union cannot belong to the officer credit union, but an officer of a Federal credit union may. We would like to permit the Federal officer credit union to become a full-grown central credit union and make it possible for credit unions in that area to pool their funds for additional fluidity that this would give each of the credit unions.

On page 16 of the report, the State central credit unions are listed at length in order that you may know whether in your own State there is any central credit union and that there is substantial favorable experience in those States with central credit unions. We have in my own State of Colorado, a State central credit union, which has built up over a million dollars in assets and can be of very real service to its smaller member credit union.

My first experience with a credit union was just after we were married. My church in Madison, Wis., had a credit union. My wife and I were short of funds and we found the credit union a very simple and proper way for us to secure a small loan to meet our needs. I maintain my membership in that church credit union even though I have long since moved from that city because I felt a sense of concern for and obligation to it.

The testimony contains only one criticism of the language contained in the subcommittee's draft of the bill. Mr. Gannon, Director of the Federal Credit Union Agency, did raise a question with respect to the subcommittee's version, suggesting that it did not have a tight enough limit with respect to the loans which a Federal central credit union might make or investments which a member credit union might make in a central credit union.

In offering the amendment which I shall offer during the amendment period, we have set forth language in correction of that. Also one technical correction has been added to the language reported by the subcommittee. In yesterday's *RECORD* you will find in the Appendix, page A-6569, the entire proposed group of amendments that simply restore the language which was deleted by a very close vote in the full committee, at a time when several members were absent.

The CHAIRMAN. The time of the gentleman from Colorado has expired.

Mr. SPENCE. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. JOHNSON of Colorado. Mr. Chairman, the proposed amendments involve several points in the bill. The amendments are cited on page A-6569 of yesterday's *RECORD* so that you may have the actual language of the amendments before you. Also recited there is the essence of the argument in support of the Federal central credit unions. But in order to complete the correction of the bill, I discovered that we had omitted to correct the language at the very end of the bill, section 3 at page 30, which was inserted by the full committee asking the Director to submit to the Congress a draft of legislation providing for federally chartered Federal unions. My amendment is that he shall submit to the Congress recommendations for any further legislation with reference to federally chartered Federal unions. The language of the amendments I am proposing on behalf of the subcommittee contains the recommendations of the subcommittee. If the Director of the Bureau of Federal Credit Unions has further recommendations which he believes would be desirable, in the event he is not able to make these in time for Senate action this year, we invite him to submit those recommendations to the Congress.

That is the essence of the amendment. It will be offered on behalf of the members of the committee who favor the Federal central credit unions and we will ask for a vote on them en bloc.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Montana [Mr. ANDERSON].

(Mr. ANDERSON of Montana asked and was given permission to revise and extend his remarks.)

Mr. BREEDING. Mr. Chairman, will the gentleman yield?

Mr. ANDERSON of Montana. I yield to the gentleman from Kansas.

Mr. BREEDING. Mr. Chairman, I take this opportunity to say that I rise in support of the pending legislation. I want to report that this morning I had a wire on my desk from the managing director of the Kansas Credit Union, which represents 300 credit unions in my State with a membership of over 110,000, all in support of H.R. 8305.

Mr. ANDERSON of Montana. I thank the gentleman.

I would like to point out, Mr. Chairman, that in less than 50 years of activity in the United States, the credit union movement has accomplished much more than many other social movements—and this has been a social movement—have been able to do in centuries of hard work. It is an idea that is really needed and wanted by millions of Americans. It is an idea that obviously works.

The credit-union formula is simple. It combines the world's reliance on money and credit systems with man's innate desire to be useful to his fellow man. The result is 12 million people energetically cooperating with each other to do all they can to help their

friends and neighbors to help themselves. Although my college training is that of a chemical engineer, I cannot think of a more perfect formula than that.

Internationally, there are more than 12 million people in more than 80 countries who participate in credit unions.

The full value of the more than 1,000 credit unions in operation in other countries cannot be measured merely in terms of the dollars-and-cents benefits they have brought to these people. Perhaps even more important is the fact that credit unions are democratic organizations. They are organizations in which each member has one vote and one vote only in the operating voice of the credit union. As such, credit unions are teaching thousands of people the real meaning of democracy. In both these ways, credit unions already have proved themselves a strong bulwark against communism in South and Central America.

The U.S. Government, the United Nations, and all freedom-loving nations, long ago recognized this important by-product of the credit union movement, and eagerly support the development of credit unions throughout the world and especially in underdeveloped countries where people have never known the thrill of helping determine their own destiny.

Credit unions are not needed only in other countries, however. Just a quick glance at our own country tells us that the credit union movement has a big job ahead of it right here within our own boundaries. Our own people are entering a new era of enlightenment in which credit unions undoubtedly will play a big role.

Credit unions are geared to our present day lives. Economists know that production and consumption must be balanced if we are to avoid another great depression. Since the Federal Credit Union Act was passed nearly a quarter century ago, the credit union movement has grown and has discovered new opportunities for usefulness. That is why it is in order today to rewrite the Federal law to meet today's needs. I believe credit unions should be given the foundation for a new era of growth and service.

The records of credit unions have thoroughly substantiated the need for many of these changes. It is a remarkable fact that more than 99½ percent of all credit union loans have been repaid. This is a record that any kind of financial institution could be proud of.

In the 85th Congress, I introduced credit union legislation substantially the same as the measure before you today. This legislation is very comprehensive and makes many substantive and technical changes in the law. My original bill had in it a provision for central credit unions as is in the proposed amendment before you today. This would permit federally chartered credit unions to participate fully with others in central credit unions. Many State-chartered credit unions have had this privilege for years. Federal credit unions have been denied this privilege, and I think this should be corrected.

When I read the bill brought out by the committee, I was greatly disappointed to see that they had taken from the legislation introduced in the 85th Congress and again introduced in the 86th Congress the provision for central credit unions. Now a central credit union is simply a mechanism to permit money to flow, either cyclically or seasonally, from surplus capital areas to areas temporarily short of capital.

There are presently many State central credit unions and there is no reason why Federal credit unions should continue to be handicapped by their present inability to band together for the most efficient use of their own money. Flexibility in use of surplus funds which are excess to their needs will enable credit unions to better serve their members, both depositors and borrowers. So, when the amendment is offered by the gentleman from Colorado to rewrite into this legislation the provision for central credit unions which was in the legislation considered by the 85th Congress and which was in most of the original bills with which I am familiar, I certainly hope that my colleagues here will support that amendment.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. ANDERSON of Montana. I yield to the gentleman from Wisconsin.

Mr. REUSS. I would like to commend the gentleman from Montana [Mr. ANDERSON], for his leadership in securing good, sound credit union legislation. In the last Congress he was a member of the House Committee on Banking and Currency and took the lead in introducing this legislation; in fact, it was from the gentleman from Montana that I first had a complete explanation of the problems of the credit unions and the need for helpful legislation. Although the gentleman has since left the Committee on Banking and Currency, which is to be regretted, and is now on another committee, his interest in it has continued, and his help in getting this legislation to the floor of the House this afternoon should not go unrecognized.

Mr. ANDERSON of Montana. I thank the gentleman.

[Mr. McGOVERN addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. SPENCE. Mr. Chairman, we have no further requests for time.

The CHAIRMAN. There being no further requests for time, the Clerk will read the bill for amendment.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Credit Union Act (48 Stat. 1216; 12 U.S.C., secs. 1751-1772) is amended to read as follows:

"SHORT TITLE

"SECTION 1. This Act may be cited as the 'Federal Credit Union Act'.

"DEFINITIONS

"SEC. 2. As used in this Act—

"(1) the term 'Federal credit union' means a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its

members and creating a source of credit for provident or productive purposes;

"(2) the term 'Bureau' means the Bureau of Federal Credit Unions; and

"(3) the term 'Director' means the Director of the Bureau of Federal Credit Unions.

"CREATION OF BUREAU

"SEC. 3. There shall be in the Department of Health, Education, and Welfare a Bureau of Federal Credit Unions, which shall be under the supervision of a Director appointed by the Secretary of Health, Education, and Welfare. The Bureau of Federal Credit Unions and the Director shall be under the general direction and supervision of the Secretary.

"FEDERAL CREDIT UNION ORGANIZATION

"SEC. 4. Any seven or more natural persons who desire to form a Federal credit union shall subscribe before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—

"(1) the name of the association;

"(2) the location of the proposed Federal credit union and the territory in which it will operate;

"(3) the names and addresses of the subscribers to the certificate and the number of shares subscribed by each;

"(4) the par value of the shares, which shall be \$5 each;

"(5) the proposed field of membership, specified in detail;

"(6) the term of the existence of the corporation, which may be perpetual; and

"(7) the fact that the certificate is made to enable such persons to avail themselves of the advantages of this Act.

Such organization certificate may also contain any provisions approved by the Director for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders.

"APPROVAL OF ORGANIZATION CERTIFICATE

"SEC. 5. The organization certificate shall be presented to the Director for approval. Before any organization certificate is approved, an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this Act; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Director it shall be the charter of the corporation, and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all of the liabilities conferred and imposed by this Act upon corporations organized hereunder.

"FEES

"SEC. 6. For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved, the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Director, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. Not later than January 31 of each calendar year, each Federal credit union shall pay to the Bureau, for the preceding calendar year, a supervision fee in accordance with a graduated scale prescribed by regulation on the basis of assets as of December 31 of such preceding year, but such fee shall in no event be less than \$10 nor more than

the applicable amount specified in the following table:

"Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000-	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000-	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000-	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

All such fees shall be deposited with the Treasurer of the United States for the account of the Bureau and may be expended by the Director for such administrative, supervisory, and other expenses incurred in carrying out the provisions of this Act as he may determine to be proper, the purpose of such fees being to defray such expenses as far as practicable. No annual supervision fee shall be payable by a Federal credit union with respect to the year in which its charter is issued, or in which final distribution is made in its liquidation or the charter is otherwise canceled.

"REPORTS AND EXAMINATIONS

"SEC. 7. Federal credit unions shall be under the supervision of the Director, and shall make financial reports to him as and when he may require, but at least annually. Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to, any person designated by the Director. The Director shall fix a scale of examination fees to be paid by Federal credit unions, giving due consideration to the time and expense incident to such examinations, and to the ability of Federal credit unions to pay such fees, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of such examination. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section 6, and shall be available for the purposes specified in such section.

"POWERS

"SEC. 8. A Federal credit union shall have succession in its corporate name during its existence and shall have power—

"(1) to make contracts;

"(2) to sue and be sued;

"(3) to adopt and use a common seal and alter the same at pleasure;

"(4) to purchase, hold, and dispose of property necessary or incidental to its operations;

"(5) to make loans with maturities not exceeding five years to its members for provident or productive purposes upon such terms and conditions as this Act and its by-laws provide and as the credit committee or a loan officer may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances, inclusive of all charges incident to making the loan; except that no loans to a director or member of the supervisory or credit committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member. No director or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater

than is allowed by this paragraph, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Director after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such other factors as the Director deems relevant, but such rules and regulations shall not require payments more frequently than annually;

"(6) to receive from its members payments on shares;

"(7) to invest its funds (A) in loans exclusively to members; (B) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; (C) in accordance with rules and regulations prescribed by the Director, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; or (D) in shares or accounts of savings and loan associations, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation;

"(8) to make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business;

"(9) to borrow, in accordance with such rules and regulations as may be prescribed by the Director, from any source, in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: *Provided*, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital;

"(10) to levy late charges, in accordance with the bylaws, for failure of members to meet promptly their obligations to the Federal credit union;

"(11) to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or charges payable by him;

"(12) in accordance with rules and regulations prescribed by the Director, to sell to members negotiable checks (including travelers checks) and money orders, and to cash checks and money orders for members, for a fee which does not exceed the direct and indirect costs incident to providing such service; and

"(13) to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

"BYLAWS

"SEC. 9. In order to simplify the organization of Federal credit unions the Director shall from time to time cause to be prepared a form of organization certificate and a form of bylaws, consistent with this Act, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Director for his approval.

"MEMBERSHIP

"SEC. 10. Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent

permitted by rules and regulations prescribed by the Director, as may be elected to membership and as such shall each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that Federal credit union membership shall be limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. Shares may be issued in joint tenancy with right of survivorship with any persons designated by the credit union member, but no joint tenant shall be permitted to vote, obtain loans, or hold office, unless he is within the field of membership and is a qualified member.

"MEMBERS' MEETINGS

"SEC. 11. The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote.

"MANAGEMENT

"SEC. 12. The business affairs of a Federal credit union shall be managed by a board of not less than five directors, and a credit committee of not less than three members, all to be elected at the annual members' meeting by and from the members, and by a supervisory committee of three members, one of whom may be a director other than the treasurer, to be appointed by the board. Any vacancy occurring in the supervisory committee shall be filled in the same manner as original appointments to such committee. All members of the board and of such committees shall hold office for such terms, respectively, as the bylaws may provide. A record of the names and addresses of the members of the board and such committees and of the officers of the credit union shall be filed with the Bureau within ten days after their election or appointment. No member of the board or of either such committees shall, as such, be compensated.

"OFFICERS

"SEC. 13. At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, one or more vice presidents, a secretary, and a treasurer, who shall be the executive officers of the corporation. No executive officer, except the treasurer, shall be compensated as such. The offices of secretary and treasurer may be held by the same person. The duties of the officers shall be as determined by the bylaws, except that the treasurer shall be the general manager of the corporation. Before the treasurer shall enter upon his duties he shall give bond with good and sufficient surety, in an amount and character to be determined by the board of directors in compliance with regulations prescribed from time to time by the Director, conditioned upon the faithful performance of his trust.

"DIRECTORS

"SEC. 14. The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things they shall act upon applications for membership; require any officer or employee having custody of or handling funds to give bond with good and sufficient surety in an amount and character to be determined by the board of directors in compliance with regulations prescribed from time to time by the Director, and authorize the payment of

the premium or premiums therefor from the funds of the Federal credit union; fill vacancies in the board and in the credit committee until successors elected at the next annual meeting have qualified; have charge of investments other than loans to members; determine from time to time the maximum number of shares that may be held by an individual; subject to the limitations of this Act, determine the interest rates on loans and the maximum amount which may be loaned with or without security to any member; subject to such regulations as may be issued by the Director, authorize an interest refund to members of record at the close of business on December 31 in proportion to the interest paid by them during that year; and provide for compensation of necessary clerical and auditing assistance requested by the supervisory committee, and of loan officers appointed by the credit committee. The board may appoint an executive committee of not less than three directors to act for it in the purchase and sale of securities or the making of loans to other credit unions, or both. Such executive committee or a membership officer appointed by the board from among the members of the credit union, other than the treasurer, an assistant treasurer, or a loan officer, may be authorized by the board to approve applications for membership under such conditions as the board may prescribe; except that such committee or membership officer so authorized shall submit to the board at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require.

"CREDIT COMMITTEE

"SEC. 15. The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month to consider applications for loans. Reasonable notice of such meetings shall be given to all members of the committee. No loan shall be made unless it is approved by a majority of the entire committee and by all members of the committee who are present at the meeting at which the application is considered; except that the credit committee may appoint one or more loan officers, and delegate to him or them the power to approve loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the credit committee. No individual shall have authority to disburse funds of the Federal credit union for any loan which has been approved by him in his capacity as a loan officer. Not more than one member of the credit committee may be appointed as a loan officer. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan shall be made to any member which causes such member to become indebted to the Federal credit union in an aggregate amount, upon loans made to such member, which is in excess of \$200 or 10 per centum of the credit union's paid-in unimpaired capital and surplus, whichever is greater, or in excess of \$1,000 unless such excess over \$1,000 is adequately secured. For the purposes of this section an assignment of shares or the endorsement of a note shall be deemed security.

"SUPERVISORY COMMITTEE

"SEC. 16. The supervisory committee shall make or cause to be made, at least quarterly, an examination of the affairs of the Federal

credit union, including an audit of its books; shall make or cause to be made a report of its quarterly examination to the board of directors; shall make or cause to be made an annual audit, a report of which shall be submitted to the members at the next annual meeting of the corporation; may suspend by a unanimous vote any officer of the corporation or any member of the credit committee or of the board of directors, until the next members' meeting, which members' meeting shall be held not less than seven nor more than fourteen days after such suspension and at which meeting such suspension shall be acted upon by the members; and may call by a majority vote a special meeting of the shareholders to consider any violation of this Act, the charter, or the bylaws, or any practice of the corporation deemed by the supervisory committee to be unsafe or unauthorized. Any member of the supervisory committee may be suspended by the board of directors. The members shall decide, at a meeting held not less than seven nor more than fourteen days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee. The supervisory committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once every two years. As used in this section, the term 'passbook' shall include any book, statement of account, or other record approved by the Director for use by Federal credit unions.

"RESERVES

"SEC. 17. All entrance fees and charges provided by the bylaws and 20 per centum of the net earnings of each dividend period, before the declaration of any dividends, shall be set aside as a regular reserve against losses on bad loans and such other losses as may be specified in the bylaws in accordance with regulations prescribed under this Act: *Provided, however,* That when the regular reserve thus established shall equal 10 per centum of the total amount of members' shareholdings, no further transfer of net earnings to such regular reserve shall be required except that such amounts not in excess of 20 per centum of the net earnings as may be needed to maintain this 10 per centum ratio shall continue to be transferred. In addition to such regular reserve, special reserves to protect the interests of members shall be established when required (1) by regulation, or (2) in any special case, when found by the Director to be necessary for that purpose.

"DIVIDENDS

"SEC. 18. Annually or semiannually, as the bylaws may provide, and after provision for the required reserves, the board of directors may declare a dividend to be paid from the remaining net earnings. Such dividend shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during such dividend period and are outstanding at the close of the period shall be entitled to a proportional part of such dividend. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first five days of that month.

"EXPULSION AND WITHDRAWAL

"SEC. 19. A member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after an opportunity has been given him to be heard. Withdrawal or expulsion of a member shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in the manner specified in the bylaws.

"MINORS

"SEC. 20. Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. When shares are issued in trust, the name of the beneficiary shall be disclosed to the Federal credit union.

"CERTAIN POWERS OF DIRECTOR

"SEC. 21. (a) The Director may prescribe rules and regulations for the administration of this Act (including, but not by way of limitation, the merger, consolidation, and dissolution of corporations organized under this Act).

"(b) (1) The Director may suspend or revoke the charter of any Federal credit union, or place the same in involuntary liquidation and appoint a liquidating agent therefor, upon his finding that the organization is bankrupt or insolvent, or has violated any of the provisions of its charter, its bylaws, this Act, or any regulations issued thereunder.

"(2) The Director, through such persons as he shall designate, may examine any Federal credit union in voluntary liquidation and, upon his finding that such voluntary liquidation is not being conducted in an orderly or efficient manner or in the best interests of its members, may terminate such voluntary liquidation and place such organization in involuntary liquidation and appoint a liquidating agent therefore.

"(3) Such liquidating agent shall have power and authority, subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, (A) to receive and take possession of the books, records, assets, and property of every description of the Federal credit union in liquidation, to sell, enforce collection of, and liquidate all such assets and property, to compound all bad or doubtful debts, and to sue in his own name or in the name of the Federal credit union in liquidation, and defend such actions as may be brought against him as liquidating agent or against the Federal credit union; (B) to receive, examine, and pass upon all claims against the Federal credit union in liquidation, including claims of members on shares; (C) to make distribution and payment to creditors and members as their interests may appear; and (D) to execute such documents and papers and to do such other acts and things which he may deem necessary or desirable to discharge his duties hereunder.

"(4) Subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, the liquidating agent of a Federal credit union in involuntary liquidation shall (A) cause notice to be given to creditors and members to present their claims and make legal proof thereof, which notice shall be published once a week in each of three successive weeks in a newspaper of general circulation in each county in which the Federal credit union in liquidation maintained an office or branch for the transaction of business on the date it ceased unrestricted operations; except that whenever the aggregate book value of the assets and property of a Federal credit union in involuntary liquidation is less than \$1,000, unless the Director shall find that its books and records do not contain a true and accurate record of its liabilities, he shall declare such Federal credit union in liquidation to be a 'no publication' liquidation, and publication of notice to creditors and members shall not be required in such case; (B) from time to time make a ratable dividend on all such claims as may have been proved to his satisfaction or adjudicated in a court of competent jurisdiction and, after the assets of such organization have been liquidated, make further dividends on all claims previously proved or adjudicated, and he may

accept in lieu of a formal proof of claim on behalf of any creditor or member the statement of any amount due to such creditor or member as shown on the books and records of the credit union; but all claims not filed before payment of the final dividend shall be barred and claims rejected or disallowed by the liquidating agent shall be likewise barred unless suit be instituted thereon within three months after notice of rejection or disallowance; and (C) in a 'no publication' liquidation, determine from all sources available to him, and within the limits of available funds of the Federal credit union, the amounts due to creditors and members, and after sixty days shall have elapsed from the date of his appointment distribute the funds of the Federal credit union to creditors and members ratably and as their interests may appear.

"(5) Upon certification by the liquidating agent in the case of an involuntary liquidation, and upon such proof as shall be satisfactory to the Director in the case of a voluntary liquidation, that distribution has been made and that liquidation has been completed, as provided herein, the Director shall cancel the charter of such Federal credit union; but the corporate existence of the Federal credit union shall continue for a period of three years from the date of such cancellation of its charter, during which period the liquidating agent, or his duly appointed successor, or such persons as the Director shall designate, may act on behalf of the Federal credit union for the purpose of paying, satisfying, and discharging any existing liabilities or obligations, collecting and distributing its assets, and doing all other acts required to adjust and wind up its business and affairs, and it may sue and be sued in its corporate name.

"(c) After the expiration of five years from the date of cancellation of the charter of a Federal credit union the Director may, in his discretion, destroy any or all books and records of such Federal credit union in his possession or under his control.

"(d) The Director is authorized and empowered to execute any and all functions and perform any and all duties vested in him hereby, through such persons as he shall designate or employ; and he may delegate to any person or persons, including any institution operating under the general supervision of the Bureau, the performance and discharge of any authority, power, or function vested in him by this Act.

"(e) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Director.

"(f) The Director is authorized to make investigations and to conduct researches and studies of the problems of persons of small means in obtaining credit at reasonable rates of interest, and of the methods and benefits of cooperative saving and lending among such persons. He is further authorized to make reports of such investigations and to publish and disseminate the same.

"(g) Any Officer or employe of the Bureau is authorized, when designated for the purpose by the Director, to administer oaths and affirmations and to take affidavits and depositions touching upon any matter within the jurisdiction of the Bureau.

"(h) The Director is authorized, empower, and directed to require that every person appointed or elected by and Federal credit union to any position requiring the receipt, payment, or custody of money or other personal property owned by a Federal credit union, or in its custody or control as collateral or otherwise, give bond in a corporate surety company holding a certificate of authority from the Secretary of the Treasury under the Act approved July 30, 1947 (6 U.S.C., sec. 6-13), as an acceptable surety on Federal bonds. Any such bond or

bonds shall be in a form approved by the Director with a view to providing surety coverage to the Federal credit union with reference to loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful abstraction, or misapplication on the part of the person, directly or through connivance with others, and such other surety coverages as the Director may determine to be reasonably appropriate or as elsewhere required by this Act. Any such bond or bonds shall be in such an amount in relation to the money or other personal property involved or in relation to the assets of the Federal credit union as the Director may from time to time prescribe by regulation for the purpose of requiring reasonable coverage. In lieu of individual bonds the Director may approve the use of a form of schedule or blanket bond which covers all of the officers and employees of a Federal credit union whose duties include the receipt, payment, or custody of money or other personal property for or on behalf of the Federal credit union. The Director may also approve the use of a form of excess coverage bond whereby a Federal credit union may obtain an amount of coverage in excess of the basic surety coverage.

"FISCAL AGENTS AND DEPOSITORIES"

"SEC. 22. Each Federal credit union organized under this Act, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States, including the issue, sale, redemption, or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes the Director shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this Act, when designated for that purpose by the Secretary of the Treasury, shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury.

"TAXATION"

"SEC. 23. The Federal credit unions organized hereunder, their property, their franchises, capital, reserves, surpluses, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such Federal credit unions shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. Nothing herein contained shall prevent holdings in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders thereof in assessing taxes imposed by authority of the State or political subdivision thereof in which the Federal credit union is located; but the duty or burden of collecting or enforcing the payment of such a tax shall not be imposed upon any such Federal credit union and the tax shall not exceed the rate of taxes imposed upon holdings in domestic credit unions.

"PARTIAL INVALIDITY; RIGHT TO AMEND"

"SEC. 24. (a) If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such pro-

vision to other persons or circumstances, shall not be affected thereby.

"(b) The right to alter, amend, or repeal this Act or any part thereof, or any charter issued pursuant to the provisions of this Act, is expressly reserved.

"SPACE IN FEDERAL BUILDINGS"

"SEC. 25. Upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this Act, at least 95 per centum of the membership of which is composed of persons who either are presently Federal employees or were Federal employees at the time of admission into the credit union, and members of their families, which application shall be addressed to the officer or agency of the United States charged with the allotment of space in the Federal buildings in the community or district in which such credit union does business, such officer or agency may in his or its discretion allot space to such credit union if space is available without charge for rent or services.

"CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND FROM STATE TO FEDERAL CREDIT UNION"

"SEC. 26. (a) A Federal credit union may be converted into a State credit union under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, by complying with the following requirements:

"(1) The proposition for such conversion shall first be approved, and a date set for a vote thereon by the members (either at a meeting to be held on such date or by written ballot to be filed on or before such date), by a majority of the directors of the Federal credit union. Written notice of the proposition and of the date set for the vote shall then be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. Approval of the proposition for conversion shall be by the affirmative vote of a majority of the members, in person or in writing.

"(2) A statement of the results of the vote, verified by the affidavits of the president or vice president and the secretary, shall be filed with the Bureau within ten days after the vote is taken.

"(3) Promptly after the vote is taken and in no event later than ninety days thereafter, if the proposition for conversion was approved by such vote, the credit union shall take such action as may be necessary under the applicable State law to make it a State credit union, and within ten days after receipt of the State credit union charter there shall be filed with the Bureau a copy of the charter thus issued. Upon such filing the credit union shall cease to be a Federal credit union.

"(4) Upon ceasing to be a Federal credit union, such credit union shall no longer be subject to any of the provisions of this Act. The successor State credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the Federal credit union to the same extent as though the conversion had not taken place.

"(b) (1) A State credit union, organized under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, may be converted into a Federal credit union by (A) complying with all State requirements requisite to enabling it to convert to a Federal credit union or to cease being a State credit union, (B) filing with the Bureau proof of such compliance, satis-

factory to the Director, and (C) filing with the Bureau an organization certificate as required by this Act.

"(2) When the Director has been satisfied that all of such requirements, and all other requirements of this Act, have been complied with, the Director shall approve the organization certificate. Upon such approval, the State credit union shall become a Federal credit union as of the date it ceases to be a State credit union. The Federal credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the State credit union to the same extent as though the conversion had not taken place.

"TERRITORIAL APPLICABILITY OF ACT"

"SEC. 27. The provisions of this Act shall apply to the several States, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico."

SEC. 2. Section 2113(g) of title 18 of the United States Code is amended by inserting before the period at the end thereof ", and any 'Federal credit union' as defined in section 2 of the Federal Credit Union Act".

SEC. 3. The Director of the Bureau of Federal Credit Unions shall submit to the Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions.

Mr. SPENCE (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the bill be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. JOHNSON of Colorado. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JOHNSON of Colorado: On page 2, line 3, strike out the semicolon and insert a comma and the following: "and includes a cooperative association (hereinafter called a 'Federal central credit union') whose members are Federal credit unions and credit unions organized in accordance with the provisions of law of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, and located within a well-defined geographical area, and whose members may also be directors and members of the supervisory and credit committees of such credit unions;"

Page 2, line 16, strike "natural".

Page 8, line 13, after the word "surplus" insert the following: ", but this limitation shall not apply to loans by Federal central credit unions".

Page 8, line 13, strike out the first "or"; and in line 15, after the semicolon insert the following: "or (E) in shares of Federal central credit unions, in a total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus. Payments to, and withdrawals from, such central credit unions by a Federal credit union must be specifically authorized by the board of directors of such Federal credit union;"

Page 10, line 10, after the word "that" insert the following: ", other than as provided in section 2(1) with respect to Federal central credit unions,"

Page 10, line 14, after the period insert the following: "A Federal credit union may, by authorization of its board of directors, become a subscriber to, or organizer or member of, a Federal central credit union or other central credit union."

Page 11, line 4, after the period insert the following: "Federal credit unions having membership in a central credit union may be represented at annual or special meetings of the central credit union by one member duly authorized by the board of directors of the member Federal credit union. To the extent permitted by the articles or certificate of incorporation or bylaws of the central credit union, such representative shall have one vote and shall be eligible for office in the central credit union the same as though he were a member as an individual of such credit union."

Page 11, line 10, after the word "members" insert the following: "(which, in the case of Federal central credit unions, shall be deemed to include the duly authorized representatives of the member credit unions)".

Page 15, line 8, after the word "or" add the following: ", except in the case of a loan by a Federal central credit union to a member credit union."

Page 30, line 5, after the comma, strike out "a draft of legislation providing for" and insert "his recommendations for any further legislation with respect to".

Mr. McGOVERN. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Colorado. I yield to the gentleman.

Mr. McGOVERN. Mr. Chairman, I strongly support this legislation before us, and I ask unanimous consent to extend my remarks in the RECORD immediately following the remarks of the gentleman from Montana [Mr. ANDERSON].

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. JOHNSON of Colorado. Mr. Chairman, I have already indicated the parliamentary history of these amendments. I speak on behalf of those members of the Subcommittee No. 3 and those additional members of the full committee who believe that the bill as reported by the subcommittee should have been reported by the full committee; that is to say, these amendments ought not to have been taken out.

The essence of these amendments is simply to restore on the floor certain language which was taken out by a similar en bloc amendment in the committee.

However, I wish to add that with respect to the one technical point which has been raised by Mr. Gannon in his testimony before the subcommittee, starting at page 123, the amendment has been perfected to the extent that it meets the specific technical objection that was raised. However, the full committee did also add section 3 to the bill, which was not in the bill as reported by the subcommittee, directing the Director of the Bureau of the Federal Credit Unions to submit to the Congress a draft of legislation providing for federally chartered central credit unions. The language of my amendment would simply say that he "shall submit his recommendations for any further legislation with respect to federally chartered central credit unions." This is simply to say that in the event there may be some further feature which comes to his attention at a very early stage in the game, while these central credit unions are still being chartered, we would gladly receive from him any further recommendations.

The Federal central credit unions would operate much the same as any

member credit unions. Indeed, the first amendment defines Federal credit unions to include not only the usual credit unions, but also a central credit union.

I call attention again to the full text of the amendments now at your seats, and to be found at page A6569 of yesterday's RECORD.

The committee originally considered a bill which included a series of some 18 technical amendments to the Federal Credit Union Act. There was an alternate proposal submitted by the gentleman from New York [Mr. MULTER], which was a complete recodification of the Federal Credit Union Acts, so that you would have in one place the entire act.

The bill reported by the committee, H.R. 8305, is, in fact, a complete restatement of the Federal credit union law. Most of the 30 pages now in your hands represent existing law, with the exception of some 18 technical amendments which have been agreed upon both by the subcommittee and by the full committee. But the whole purpose of a recodification was vitiated by the action of the full committee in making a series of amendments en bloc, taking out all language with respect to Federal central credit unions and then saying in effect, "We will come back next year and reconsider it," because we will again be in the position of having to pass a 30-page bill to get all the Federal credit union law in one place.

It seems to me far more reasonable to take the action of the subcommittee which carefully considered the measure line by line, item by item, and which heard the testimony, and put the whole thing in a shape so that you have at least a good basic law.

Mr. YOUNGER. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Colorado. I yield.

Mr. YOUNGER. The gentleman's purpose is to permit credit unions to invest in each other?

Mr. JOHNSON of Colorado. No; it is for member credit unions to create a central credit union just as the State credit unions now do, as the report shows. This simply gives Federal credit unions the same rights to create a pooled fund both for officers and for the unions themselves, as State credit unions now have.

Mr. YOUNGER. The minority report says that you want to permit credit unions to invest in other credit unions. If the gentleman will go back to the history of this, with which he is probably familiar, that was one of the most vicious things that occurred in the history of savings and loan institutions. It brought about the failure of savings and loan, and froze them at the beginning of the depression. That is why, in the creation of Federal savings and loans they were prohibited from investing in each other and thus freezing their capital.

Mr. JOHNSON of Colorado. There is one significant distinction. The amendment on page 8 says that they shall be permitted to invest in shares of Federal central credit unions. Incidentally, there are no minority views in the report.

The CHAIRMAN. The time of the gentleman from Colorado has expired.

(Mr. JOHNSON of Colorado asked and was given permission to proceed for 1 additional minute.)

Mr. JOHNSON of Colorado. The amendment does not permit credit union A to invest in credit union B. It permits A and B to form a central credit union in which both may invest and from which both may borrow. We have many years of successful experience with precisely this technique at the State central credit union level. This merely duplicates that.

Mr. YOUNGER. If you want to do that at the Federal level, why not bring in a bill creating a Federal bank, the same as we have in the savings and loan and make it an institution?

Mr. JOHNSON of Colorado. We would rather let these people run their own affairs than create a new Federal bureau, frankly.

Mr. YOUNGER. That is the difficulty. The first thing you know, you will have them out there without any supervision and they will probably get into the same difficulty that the savings and loan got into in the early part of the depression.

Mr. JOHNSON of Colorado. On the contrary, I think Mr. Gannon does a very fine job and the States are doing a fine job. I have no fear that the Federal central credit union will be any different or any less successful than we have seen in the fine success of the State central credit unions.

Mr. McDONOUGH. Mr. Chairman, I move to strike out the last word, and rise in opposition to the amendment, not that I can say the idea is not good, but this is not the place to do it, here and now. We have a good bill that the committee has given consideration to and on which people from various parts of the Nation gave their testimony. As to the substantive material in this bill, I would say that it was almost unanimously agreed to by the credit unions across the country. The proposal of the gentleman from Colorado, in my opinion, is a matter that should be the subject of a subsequent study for this committee to go into in great detail. Testimony on that particular point should be considered because it is a revolutionary move in the Federal credit union movement. Although it has been practiced in the States, it may bring about an enmity to the credit unions in the economic circles of this country, an enmity that they do not now have because it would be setting up a central credit union banking system, in plain English. It is something, I think, even the chairman of the committee, in his opening statement, did not refer to. But, on the contrary, he stated he believed the bill, as written, should be passed. I would like to see this bill passed. I would like to see it passed as written. I think there is practically no opposition to it in the House. The questions and controversies brought into this bill by this amendment just muddies up the waters a little bit, and, in my opinion, although the idea after exhaustive research and study may turn out to be a good idea, it is not a question, in my opinion, that should be resolved at this time in the short time we have to debate this bill especially in

view of the lack of information that the average Member of the House may have as to the effect that this amendment would have on the Federal credit unions through the country.

Therefore, Mr. Chairman, I urge a "no" vote on the amendment and that we proceed with the further consideration of the bill.

Mr. CLEM MILLER. Mr. Chairman, I move to strike out the last word.

(Mr. CLEM MILLER asked and was given permission to revise and extend his remarks.)

Mr. CLEM MILLER. Mr. Chairman, this very worthy amendment has been the victim of a slogan. After your subcommittee did hear and did consider this matter at great length in the hearings and did look into it exhaustively, as you would have us do again, the full committee then rejected the subcommittee's recommendation on the basis of a slogan and on the basis of a slogan alone. This slogan is "Self-dealing." Now, what is actually the fact? The facts are that no one can deal with himself as an officer of the central credit union any more than an officer of a local credit union can deal with himself. The local credit unions have an inspiring and unimpeachable record of fair dealing, not of self-dealing. This is a fact. The fact is that exactly the same restrictions apply to the central credit union officers as apply to the local credit union officers. The central credit unions were shown by the subcommittee to be an important, necessary and reasonable addition to the credit union structure. Only one witness spoke in opposition to the central credit union, and this was Mr. Gannon. We satisfied the objection that he had.

The central credit union amendment has the unanimous and wholehearted support of the Credit Union Association. Everyone praises the credit union structure as a model of thrift, careful dealing and so on. They were consulted and they are deeply involved in the framing of this bill. Since they are so universally admired and reliable, is it not fair to suggest that their advice as to central credit unions should also be accepted?

Much was made in the discussion in the full committee about the subject of guidelines. Guidelines are the regulations for central credit union officers as well as local credit union officers. Much was made that these guidelines were some indefinite, vague thing. I made a list of all the restrictions on the officers of central credit unions which I am attaching to my statement here. They are the same as for local credit union officers. They take up 10 sections in this bill. Ten pages of bill are given up to the regulation of the officers of these credit unions. For anyone to say that these officers are not subject to careful regulation and restriction simply does not jibe with the facts which were developed in our subcommittee. There are guidelines aplenty, and the guidelines are sufficient for local credit unions, they are likewise sufficient for Federal central credit unions; they are the same.

I would say to you that failure to enact this amendment subjects credit

unions and their officers to needless trouble and redtape. In those States where they must seek credit from other credit unions they must do so on an individual basis, taking up endless hours. Under these circumstances it seems to me that those really sympathetic with credit unions will favor this amendment. The strong case that can be made for this amendment, and the absence of any case on the other side means that this amendment is the test of those who are really friendly to the credit unions. Failure to vote for this amendment is going to be a real indication of your genuine sympathy for credit unions because it has the unanimous endorsement of the credit union movement and the credit union association.

I challenge, and I will yield my time to anyone who can spell out in chapter and verse just what there is in this proposal that is self-dealing or fails to make guidelines adequate. To anyone who can do so I will yield.

Mr. BASS of New Hampshire. Mr. Chairman, will the gentleman yield?

Mr. CLEM MILLER. I yield to the gentleman from New Hampshire.

Mr. BASS of New Hampshire. I would like to ask this question: Under this amendment would it not be possible for seven directors and members of a local Federal credit union to form a central Federal credit union? Is not that correct?

Mr. CLEM MILLER. Yes.

Mr. BASS of New Hampshire. And would it not be quite likely that those same members would also be part of the management of the Federal central credit union?

Mr. CLEM MILLER. They would, but they would not be able to make any loans to themselves. They would make loans to the local credit unions which would be subject as a borrower to the same restrictions that apply to a local credit union. So it is not self-dealing. It is dealing with the members of his own local credit union.

Mr. BASS of New Hampshire. The gentleman misses the point. Would it not be possible for these seven members to negotiate loans or to manipulate loans between the two credit unions from the central to the local and from the local to the central?

Mr. CLEM MILLER. We object to the use of that word "manipulate." That is a difficulty we had throughout with this bill. I do not like the word "manipulate." Possibly such an arrangement could be made, but it is not fair to use the word "manipulate." That is a loaded question similar to what we in the committee had to contend with until finally the amendment was defeated. I say we should get away from the use of such words as that.

It has been charged that there are not sufficient safeguards, limitations, or guidelines for the operation of Federal central credit unions. Let me enumerate a few of the safeguards and restrictions and guidelines which this amendment to H.R. 8305 would put into effect. The amendment defines the term "Federal credit union" to include a "Federal central credit union" whose members are

credit unions and officers and directors of credit unions. Therefore, all subsequent guidelines, restrictions, and limitations on local credit unions in H.R. 8305 would apply equally to the proposed Federal central credit union unless the central credit unions were specifically excluded from those provisions by language in the bill.

Now let me enumerate generally the guidelines for central credit unions already included in H.R. 8305:

Sections 4 and 5 of H.R. 8305 would define the method of organization and the criteria for chartering of Federal central credit unions.

Section 7 of H.R. 8305 would provide the guidelines for reports by, and examination of Federal central credit unions.

Section 8 of H.R. 8305 would define the powers of Federal central credit unions in considerable detail.

Section 11 of H.R. 8305 proscribes guidelines for the meeting of the members of a Federal central credit union. This section would also state that no member of a Federal central credit union would have more than one vote in the election of the managing officials.

Section 12 of H.R. 8305 generally defines the methods by which a Federal central credit union would be managed.

Section 13 of H.R. 8305 specifically provides for the officers of a Federal central credit union.

Section 14 of H.R. 8305 defines in great detail the functions and limitations upon the board of directors of a Federal central credit union.

Section 15 also defines in detail the functions and restrictions placed upon the credit committee of a Federal central credit union.

Section 16 defines in detail the duties and restrictions upon the members of the supervisory committee of the Federal central credit union.

I should be glad to go back throughout H.R. 8305 and pick out phrase by phrase the exact language in these sections which would provide guidelines, definitions, restrictions, and limitations upon the operations of the Federal central credit unions and their officers.

In short, gentlemen, there are at least 10 pages of restrictions, safeguards, and guidelines for central credit unions in this bill which other members of Congress have seemingly had so much difficulty in finding.

Mr. MULTER. Mr. Chairman, I rise in opposition to the pro forma amendment.

(Mr. MULTER asked and was given permission to revise and extend his remarks.)

Mr. MULTER. Mr. Chairman, I accept the challenge of the gentleman from California. I oppose this amendment, and I think my record of activities on behalf of credit unions and with credit unions since 1918 bespeaks the fact louder than words that I am a friend of credit unions and of the credit union movement. If they want to disown me because I take a position against this amendment, it is all right with me.

If you will look at the supplemental views that are a part of the report, House Report 696, you will find on page

15 a list of Federal officer credit unions. Turn the page and you will find on page 16 a list of 55 State central credit unions. The operation of all these associations remains unaffected by this bill.

I felt quite complimented, that the full committee substituted my bill H.R. 3674 for the bill that the subcommittee had reported. We then considered that bill in executive session. Between the date the substitution was made and the date we reported the bill some 6 weeks went by. During this period I asked the people in the credit unions, in the Credit Union National Association and in the State credit union leagues to give study to the matter, to sit down with the Director of the Federal Credit Union Bureau and work out a satisfactory provision for central credit unions. I said that if they did that we could probably get a good central credit union provision. I suggested if they did not do that we would run into controversy that might jeopardize the bill. This provision was the only bit of controversy in this bill. If you will look at the Financial Institutions Act, S. 1451, passed by the other body in the last Congress, you will find that the Credit Union title almost word for word as it is now in this bill. The other body did not consider the matter of central credit unions. If you pass this bill as reported by the full committee, I suggest that the other body will take it almost without hearings. If you put in this amendment calling for central credit unions they will have to have hearings in the other body and it may well take a year or more before we can get this bill through. The credit union people have been telling me as late as today they would like to have this bill and the sooner they get it the better it will be for the credit unions and the credit union movement.

Mr. CLEM MILLER. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from California.

Mr. CLEM MILLER. How can the gentleman explain the telegram that we received from the National Credit Union Association asking that this amendment be adopted? All the people I have talked to connected with the National Association are very, very enthusiastic about this amendment and I would say they have the unanimous support of the credit unions throughout the country. I would like to challenge anyone to produce anybody from a credit union either local or national, who says he is against this amendment.

Mr. MULTER. I do not doubt the gentleman received a telegram from the National Credit Union Association, but you heard the gentleman from West Virginia [Mr. BAILEY], say that his State association sent him a telegram asking for this bill. I have one from the New York State Credit Union Association asking for this bill.

Mr. MUMMA. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Pennsylvania.

Mr. MUMMA. I have a telegram from the head of the Pennsylvania Credit

Union Association. He never said anything except to accept the bill.

Mr. HIESTAND. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from California.

Mr. HIESTAND. I have a stack of telegrams in my office from credit unions favoring this bill and some of them specify without amendments.

Mr. CLEM MILLER. To the gentleman from Pennsylvania I would say that the credit unions from Pennsylvania testified at the hearing most eloquently as to the need for a central credit union. The credit union representatives from Michigan, Illinois, and I believe from West Virginia, also testified specifically as to the need for central credit unions. I think the mere lack of putting into their congratulatory telegrams some specific reference to this amendment is not as important as their testimony was in the hearings we had.

Mrs. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Illinois.

Mrs. CHURCH. I thank the gentleman. As I stated previously, the Illinois credit unions are unanimously for the bill. I would only say that the telegram received from Mr. Brietzke, director of the Credit Union League, might be an exception. I would like to say that on no other occasion has a telegram been sent me without some suggestion of action on an amendment. I would assure the gentleman that the Illinois Credit Union League wishes the bill as it is without amendment.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. MULTER. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. HORAN. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Washington.

Mr. HORAN. I have several telegrams asking for support of the bill without amendment.

Mr. YOUNGER. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from California.

Mr. YOUNGER. From the gentleman's experience, if we are going to go into that field, does he not think it would be wise to pattern your central bank after the Federal Home Loan Bank System for credit unions and do it in a correct financial manner rather than by this amendment?

Mr. MULTER. At this moment I am not prepared to go as far as the gentleman suggested, but I am very anxious that the credit union movement continue as a good, sound movement. I would rather move slowly on this provision and wait until the Federal Director comes in, in January 1960, with his recommendation, and then consider what further we should do. I would rather move slowly on this than risk doing some-

thing that may give a black eye to the credit union movement.

Mr. Chairman, I urge defeat of the pending amendment.

Mr. REUSS. Mr. Chairman, I rise in support of the pending amendment.

Mr. Chairman, there has been much discussion here about the welter of telegrams that have been received on this subject. It is a great thing for Western Union. But I think a more important consideration for the Members is not what all of these telegrams say, or do not say, but what are the rights and wrongs of the Johnson amendment.

I believe the amendment is a sound and constructive one. It would do for our credit unions exactly the same thing that has been done by legislation for so many other forms of financial institutions. Just as we have directed that in the armed services there shall be a pooling of surplus supplies, so I think it is wise to direct that there may be a similar pooling of surplus funds, so that they may be marshaled to their best advantage by the credit unions.

It is said that this amendment, if worthy, should be considered later, next year perhaps. Well, I wish to point out that for at least 3 years, so far as I know, credit union legislation has been before the Committee on Banking and Currency of either this House or of the other body. My experience here, Mr. Chairman, is that the legislative mills tend to grind somewhat slowly, and therefore in the interest of getting a broad, comprehensive piece of legislation, I hope that this amendment will be favorably considered. It has been thoroughly gone over in the subcommittee, and in my opinion it is thoroughly sound.

Mr. SPENCE. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I do not rise with any intense feeling, but I am persuaded to be against the amendment, the credit unions have done so well with the laws as they now exist, that before we adopt some radical change in an untried field, we ought to give the matter long and careful consideration.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Texas.

Mr. PATMAN. The subcommittee gave full and complete consideration to it. We had all the witnesses in favor of it and all who wanted to be heard against it. Only one witness testified against it. He made certain criticisms, and we believe we corrected his criticisms. That was Mr. Gannon, who is the Director of the Federal Credit Union.

Mr. SPENCE. The credit unions were organized for a very simple purpose, to stimulate thrift and saving and to enable employees of industry to loan these funds to their fellow employees. When a central credit union is formed it constitutes a quasi-banking system that ought to have standards and direction.

I do not criticize those who are for this amendment. They may think it is a good thing for the credit unions, but I am impelled by my interest in the credit unions to say that I think more consideration should be given to the fun-

damental change in the whole conception of credit unions than has been given. They have done well under the present organization. They are going to continue to do well. They are going to expand. They are a great segment of our economy and we ought to proceed slowly as we enact the legislation by which they shall be governed. I will vote for the bill, but I do believe that this amendment constitutes a fundamental change from the real conception of credit unions. I have not heard from a single member of a credit union in my district—and there are many of them—who wants this amendment.

Mr. BARR. Mr. Chairman, I arise in support of the amendment. During my first 6 months in this House I have been deeply concerned with banking legislation. On this floor I supported the vault cash bill and the two technical bills that we have considered today which affect the national banks of this country. My basic reason for supporting this legislation is my conviction that the financial institutions of this country should be permitted to operate under modern and up-to-date laws.

The United States is entering what may possibly be a very difficult phase in its economic history. Since World War I, with the exception of a few interludes, we have had a plentiful money supply and plenty of credit. Today it seems to me that the United States has probably grown up to its supply of money and credit. In the next decade this country is faced with a population explosion. Our population will probably jump from about 170 million today to perhaps 220 million by 1970. It is going to take a lot of money and a lot of credit to employ these additional people, to house them, and to make sure that they can live a decent life. It would seem to be national policy for this Nation to encourage a savings program that will help provide this money and credit that we need, and also to make sure that our savings and credit resources are used as efficiently and wisely as possible.

This amendment is designed to let the credit unions use the savings of their members efficiently. Let me give you an example: In my congressional district of Marion County, Ind., there are 93 credit unions. These credit unions have approximately 60,000 members. Some of these credit unions are very large. Some are quite small. All of them, whether large or small, are designed to meet a part of the credit needs of their members. But sometimes the very large credit unions find themselves with a surplus of cash. Many of the smaller credit unions often find themselves short of money to loan their members.

This amendment would authorize the establishment of central credit unions under Federal control. These central credit unions would act as a clearinghouse for all the member organizations. For example, a credit union with excess funds could invest this excess in the central credit union—under Federal supervision and control. Credit unions that are short of funds could in turn apply to the central credit union for loans to meet their current needs. These central credit

unions, in other words, are a clearinghouse designed to make sure that the savings of the members work as efficiently as possible. They have no power to create money; they have no power to engage in banking operations; they have only the power to see to it that the savings of these institutions are used wisely and efficiently.

For this reason I believe that this amendment is in line with national policy. It is absolutely necessary that this Nation not only encourage thrift, but also the best use of our savings and credit resources. In the vault cash bill and in the two bills which we have considered today concerning the national banks, this was the basic aim of the legislation. These laws apply to the very large financial institutions of this Nation. The credit union bill applies to the smallest financial institutions in the United States, but the same principle—the principle of the efficient use of our savings and credit—applies with equal force to the credit unions as well as to our great national banks. For that reason, Mr. Chairman, I urge the adoption of this amendment.

Mr. COHELAN. Mr. Chairman, will the gentleman yield?

Mr. BARR. I yield to the gentleman from California.

Mr. COHELAN. Mr. Chairman, I would like to ask the gentleman in respect to the amendment if he feels that the system of a central operation is an untried operation.

Mr. BARR. No; it is not an untried operation. The gentleman from California very properly pointed out that the savings and loan associations went bankrupt by making improvident investments. The Federal Home Loan was established so that they could lay off their excess and loan back to the people who were short. It is not an untried operation.

Mr. COHELAN. Mr. Chairman, if the gentleman will yield further, I wonder if he is aware that of the 9,539 Federal credit unions in the United States today, over 1,600, or more than 16 percent are in the State of California. And as a former treasurer of a State credit union in California, I shall ask the gentleman if he knows that we have had a central credit union in the locality from which I come for many years. It is one of the reasons the State credit unions are growing at a very healthy rate.

Mr. BARR. I am quite aware of that. The gentlewoman from Illinois [Mrs. CHURCH], my sister State, has had a remarkably successful operation with central State credit unions.

Mr. JOHNSON of Colorado. Mr. Chairman, will the gentleman yield?

Mr. BARR. I yield.

Mr. JOHNSON of Colorado. I would like to explain to the gentleman and to the Members of the House that, speaking as the one who offered the motion for the members of the committee, I made no effort to ask the national credit union office to put the heat on anybody for this amendment. I proceeded in keeping with the action of the subcommittee on which I sit in support of the supplemental views which we had filed.

Insofar as the credit union movement has been sending telegrams around, I made no effort to ask them to support the amendment. I was not even in contact with them with respect to my behavior in this matter and their silence on the matter it seems to me is not in opposition to the amendment but simply in ignorance of the fact that the amendment was to be offered, because the decision was only formally entered in the RECORD as of yesterday, after the Rules Committee had acted.

(Mr. BARR asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Mr. Chairman, I rise in support of the amendment.

May I suggest that the argument has been made that this proposal is an untried proposal. The distinguished gentleman from New York [Mr. MULTER] appeared before the subcommittee that was considering this credit union bill. He made a very fine statement which will be found starting at page 95 of the hearings. I should like to refer to page 99, and I want the Members to follow this with me. The gentleman said that he had been interested in credit unions since 1918; and he has a background of knowledge and information many of us do not have. When he speaks about credit unions from his experience from 1918 to date, he speaks with some knowledge and authority. He knows what has happened. So Mr. MULTER testified, as is shown commencing in the last paragraph on page 99, as follows:

The important changes sought to be accomplished, other than mere form are increasing the lending authority of the credit unions, giving them authority to operate more smoothly, permitting them to have paid employees under certain circumstances—really not paid employees, but to pay for certain services that are necessary to the smooth operation of a credit union—setting up a so-called central credit union, and let me indicate that that is not new in the credit union movement. Many States have already done just that. They have set up central credit unions within each State, which central credit unions are of assistance to the credit unions organized under State law, as well as to the officers and committeemen who operate, and the directors, who operate the credit unions. The central credit union is a source of credit to officers and directors of credit unions who could not qualify under the law to borrow from their own credit union, because that would involve self-dealing. So they have set up these central credit unions within the States to make credit available to those men if and when they need it, and the provision in the Patman and Multer bills would do the same thing on the Federal level.

Mr. MULTER with all his experience since 1918, recommends the central credit union. He does it after all this experience. Therefore, Mr. Chairman, I think that we can safely pass this amendment with the understanding that if there is anything wrong about it, that Mr. MULTER has not detected or I have not detected, or any other Member has not detected, the other body will carefully go into this bill and will make sure that any amendment we pass is satisfactory and in the public

interest. If it is not, they will change it or take it out entirely.

This means so much. Here is the Federal Credit Union—that is, the Credit Union National Association pleading with the Members of this House today to please pass this amendment. I have a telegram here from the president stating their support of this amendment. They want it passed. It is helpful, it is needed, just as the gentleman from New York [Mr. MULTER] said before our committee. We need it. It is not new. It has been tried before. The States all have it. So why not let the Federal credit unions have it?

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I am glad to yield to the gentleman.

Mr. MULTER. I am sure the gentleman would want to write into this bill, if you do have the central credit union provision, at least you want to write in the same standards, restrictions, and limitations that appear in the law of every State that permits central credit unions. That is what I am suggesting should be done before you take this provision. Make sure you have the same safeguards in the Federal statute that you have in each of the State statutes where the States permit central credit unions.

Mr. PATMAN. I submit this amendment is in exactly the same form that the gentleman from New York recommended before our subcommittee, which passed on this bill. He recommended it then. He said it was all right. He said based upon experience, it was all right and it was not new and that the States have it and have been using it for 50 years. So I would like to give the same power to the Federal credit unions.

Mr. SPENCE. Mr. Chairman, I ask unanimous consent that debate on this amendment, and all amendments thereto, close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Montana [Mr. ANDERSON].

(Mr. ANDERSON of Montana asked and was given permission to revise and extend his remarks.)

Mr. ANDERSON of Montana. Mr. Chairman, I simply want to reaffirm my support of the amendment proposed by the gentleman from Colorado and to point out that it is nothing radical. It is nothing different and it is not a new proposal. It will not alter in any real way the operation of our Federal credit unions, but it will permit the setting up of Federal central credit unions as presently we have State central credit unions.

If you are worried that this amendment carries a new untried proposal, just turn to page 16 of the committee report and you will see that there are presently operating as many State central credit unions as there are States.

As a sponsor of credit union legislation in this Congress and the preceding Congress, I have carefully studied the

language of the many credit union bills which would provide for Federal central credit unions. I think it has been well documented that there are sufficient safeguards and guidelines to provide for the sound operation of central credit unions under Federal law. The amendments to provide for Federal central credit unions have been modeled after the existing State laws which provide for State charter central credit unions.

I would suggest that the opposition to Federal central credit unions arises from reasons other than those recited in the committee report on this bill. By way of illustration let me cite an article which appeared in the New York Journal of Commerce entitled "Credit Unions Pose Rising Threat to Banking World." The first paragraph of this article states:

Credit unions in the United States are gradually forging ahead in the national race for savings to become one of the most important threats, competitively, to commercial and savings banks since savings and loan associations began their spectacular rise in the 1950's.

Now this sounds very ominous. However, buried farther down in this article are statistics on Federal credit union saving and lending:

1. Of all liquid savings in the principal savings media in the United States, credit unions only hold roughly \$4 billion of \$210 billion, or 1.8 percent of the total.

If savings in the form of life insurance are included in total savings, the credit union share of total savings would drop to approximately 1.5 percent.

2. Of the total installment credit outstanding as of May 1959, credit unions accounted for approximately 8 percent.

It seems very difficult to understand how these self-help institutions on the basis of facts can possibly pose a great threat to the banking world. However, it seems that the giant commercial banks of the country fear even the minor competition from credit unions and therefore the provisions that would provide for the charter and operation of Federal central credit unions apparently have been stricken from this credit union legislation at their behest.

I ask my colleagues to support the amendment of the gentleman from Colorado [Mr. JOHNSON].

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. McDONOUGH].

Mr. McDONOUGH. Mr. Chairman, I just want to repeat what I said in my opening remarks. We have a good bill here. It has been seriously and thoroughly considered by the committee. There is every danger, in my opinion, that the bill may take much longer to be considered by the other body and finally passed, if it is passed at all in this session of the Congress, if this amendment is added to it. I am sure the Members who were present when the amendment was read realize that this amendment goes all through the bill. There are amendments on many pages of the bill. The committee considered some of the things that are proposed in the amendment, and the bill that was reported is the result of the consideration of the original bill, which was submitted by the gentleman from New York [Mr.

MULTER], which excluded this section on the Federal credit unions. I do not believe there is a Member in the House who wants to do anything to injure the Federal credit unions. I think we all want to support them and to help them. I think an amendment of this kind at this time, although it may have virtue, as I said before, it should be considered subsequently by the committee. At this time, it should be defeated and we should proceed to adopt this bill as written.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. MULTER].

Mr. MULTER. Mr. Chairman, our colleague, the gentleman from Texas [Mr. PATMAN], by his reading from the hearings, has amply demonstrated, I think, that I am in favor of the credit-union movement, that I am a strong supporter of that movement, and that I even agree with the principle of central credit unions. I am merely urging now that we do not write this provision into this bill at this time. I am urging that this provision be given further study and attention so that we may write into the law at some future date a good sound provision with proper restrictions and with proper limitations and with proper standards so that the credit-union movement can go forward and not be hurt or damaged in any way because of a provision that might not set up the proper standards.

Therefore, Mr. Chairman, I urge the rejection of this amendment and the adoption of the bill as reported by the full committee.

Mr. ALFORD. Mr. Chairman, we have under consideration important legislation pertaining to credit unions—legislation, I am advised, that will be of tremendous help to the far-flung credit unions of this Nation in providing additional services to their members. I fully support this legislation because I have been assured by Mr. T. R. Shirk, of Jacksonville, Ark., member of the board, and James C. Davis, of Little Rock, managing director of the Arkansas Credit Union League, and by the officers of many other credit unions in my State, that the efficiency of credit union operations will be enhanced by its passage.

Credit unions are important to the economy of Arkansas because they permit members of a group to pool their savings to self-finance a variety of needs. Credit unions in Arkansas are the vehicle by which many members pay hospital bills, buy air conditioners for homes, finance automobiles, ease the burden of income taxes, and at the same time acquire a systematic habit of saving.

Credit unions finance many risks in which banks would not be interested, thus they fit perfectly into the pattern of our economy. Yet they are subject to rigid examination by regulatory agencies to see that they are conducted on sound business principles. Perhaps much of the secret of the credit unions' success lies in the fact that a man does not default on his obligations to the two or three men working alongside him. And, by the same token, those two or

three men working alongside him know best of his problems, his habits, and his ability to meet his obligations.

The latest figures available to me show the enormous extent to which credit union operations have grown in my State. I have compiled these totals by taking the report of State-chartered credit unions for the last available year—1957—and adding the report of the federally chartered credit unions for 1958.

These show some amazing figures, including the fact that there are 103 credit unions in Arkansas with a total of 29,958 members. Their total assets are almost \$7,500,000. These credit unions have loans outstanding in the amount of \$5,585,147; their net income is \$317,684; and the dividends they paid totaled \$217,154.

What is even more significant to me is that the members of these credit unions have amassed savings totaling \$5,762,913—a backlog of assets that might never have materialized had it not been for the habits of thrift encouraged by these credit unions.

With these facts in mind it seems to me we should lend every encouragement possible to the expansion of the services of these worthwhile organizations.

Mr. McGOVERN. Mr. Chairman, I strongly support H.R. 8305, the legislation to amend the Federal Credit Union Act. The credit union program has a splendid record of service to the people of the Nation. This legislation will further increase the effectiveness of credit unions.

Mr. W. O. Knight, Jr., of Sioux Falls, S. Dak., an outstanding constituent of mine, served last year as national president of the Credit Union Association. He is currently serving as managing director of the South Dakota Credit Union League. I have discussed the legislation before us with Mr. Knight and am pleased to join with him in supporting it.

This year marks the 50th anniversary of the first State credit union law and the 25th anniversary of the Federal Credit Union Act. Over 5 million Americans have been assisted in their credit needs by the Federal Credit Union Act passed in 1934.

The proposed amendments to the act contained in H.R. 8305 include the following provisions:

First. Increases maximum maturities of loans from 3 to 5 years.

Second. Increases signature loan limits from \$400 to \$1,000.

Third. Provides for loan officers to process loans within specified limits.

Fourth. Liberalizes borrowing restrictions on Federal credit union officials.

Fifth. Authorizes Federal credit unions to cash and sell checks to members for a reasonable fee.

Sixth. Authorizes dividends to be paid semiannually and allows dividend credit for savings received in the first 5 days of a month.

As the committee report has stated:

The bill would have no impact on the Federal budget, inasmuch as the expenses incurred by the Bureau of Federal Credit Unions are paid out of fees collected from the supervised credit unions.

I urge the adoption of the bill as a means of strengthening an already fine credit union program.

Mrs. ROGERS of Massachusetts. Mr. Chairman, in my own district there are a number of very fine credit unions and they have done an enormous amount of good to the people of my district. I heartily endorse them. I noted on the floor the gentleman from Texas [Mr. PATMAN], one of the original sponsors of the Sheppard-Patman Credit Union Act, and the gentleman from Georgia. He and I and a number of others were in the Congress when the first credit union bill was passed. They were kind enough to give us citations just for being on the floor at the time and endorsing it.

Mr. KASTENMEIER. Mr. Chairman, I am proud to lend my support to H.R. 8305, a bill to amend the Federal Credit Union Act. I have taken a particular interest in the activities of Federal credit unions because within my district lies the international headquarters of the organization which has fostered the growth of credit unions throughout the world, the Credit Union National Association, better known by the initials "CUNA." Not too long ago, I had the opportunity to join the gentleman from Texas [Mr. PATMAN] on the floor of this House in commemorating the 25th anniversary of the signing of the original Credit Union Act. Today, I speak on behalf of a measure which acknowledges the worthwhile activities of this organization by increasing the maturity limit on credit union loans from three to five and making other minor changes in the Federal Credit Union Act. With these changes, rural credit unions in my own State of Wisconsin could more adequately meet the credit needs of farm families to help them purchase farm equipment and supplies. Federal credit unions would be able to participate more actively in extending loans for home improvement and modernization, and many other benefits would also be derived. And, I am confident that the passage of this bill would aid not only credit union patrons but would help expand the credit union movement as well.

Mr. FASCELL. Mr. Chairman, I rise in vigorous support of the bill under consideration to rewrite and modernize the Federal Credit Union Act.

The growth of the credit-union movement in the United States has been sound, steady, and inspiring to observe. It is a shining example of how much of value can be accomplished by men and women, working together toward a common objective for the common good.

Since the first credit union was founded in this country 50 years ago, 19,999 such groups have been created with a present total membership of more than 10 million people, and assets totally well over \$4 billion. In the 25 years since the Federal Credit Union Act was passed, more than 9,000 Federal credit unions have been established with a membership of over 5 million persons and assets amounting to more than \$2 billion and growing at the rate of \$300 million per year.

Significant to note among these details of phenomenal growth is the fact

that since the enactment of the Federal Credit Union Act 25 years ago, less than one-fifth of 1 percent of the dollar amount of loans by Federal credit unions have been charged off as losses.

We in Florida are proud of the 518 credit unions now in operation serving a membership of 200,000.

In view of the obvious widespread interest in these organizations both on the State and Federal level, it is entirely fitting and timely that a recodification of the Federal law be made and I commend Committee Chairman SPENCE and Subcommittee Chairman PATMAN for their diligence and intense interest in recommending this legislation to the House. This bill will modernize the operations of one of the fastest growing financial institutions in the country and will enable it to keep pace with the changing needs of the unions and their members which have arisen down through the years.

I hope this legislation which I am both proud and privileged to cosponsor, will have the overwhelming endorsement of the House of Representatives today.

Mr. HECHLER. Mr. Chairman, there are over 100 credit unions in my State of West Virginia, averaging nearly 200 members each. Credit unions are a vital part of our economy, and they are a great boon to the workers of West Virginia. Not long ago, I addressed the State Convention of the West Virginia Credit Union League in Huntington, and I was deeply impressed by the leaders of the credit union movement in West Virginia. This year when we are celebrating the silver anniversary of the passage of the Federal Credit Union Act, I hope that we may take the necessary steps to help the credit unions perfect their organization and operation through the passage of the needed amendments contained in H.R. 8305.

Mrs. GREEN of Oregon. Mr. Chairman, I do not want this discussion to conclude without rising to compliment the distinguished and beloved chairman of the committee, the distinguished and able gentleman from Texas [Mr. PATMAN], for the work he has done in presenting this bill to the House. I have received a great many letters from credit union officers and members in my own State, urging my support of this bill. After reading the material made available to me on the subject, I felt this was a good bill. After reading the hearings and the committee report, I was more than ever convinced that the pending legislation is beneficial to the millions of Americans with low and middle incomes, and necessary to the continued success of the credit union movement. I intend to vote for the bill and I hope that it becomes law as soon as possible.

Ordinarily I would not make a special effort to introduce in the RECORD letters from home on a bill unless I felt they were saying something different. Much of what my letters have said has been repeated by the committee members in this debate. However, I do want some of the letters I have received to be set forth in the RECORD because they demonstrate graphically the wide utility of the credit union idea. Here are letters

from credit unions composed of Federal employees, credit unions composed of members of a parish church, credit unions comprising the employees of a large timber company, of a clothing manufacturer, or city employees, of trade union members. The credit union idea, Mr. Chairman, is a universal one and deserves universal support.

Under unanimous consent, I ask that there be printed following my remarks some of my letters on this subject.

SCS FEDERAL CREDIT UNION,
CARE OF SOIL CONSERVATION SERVICE,
Portland, Oreg., June 26, 1959.
Representative EDITH GREEN,
House Office Building,
Washington, D.C.

DEAR MRS. GREEN: I am writing you on behalf of the board of directors and the membership of the Soil Conservation Service Federal Credit Union located throughout the State to enlist your support of H.R. 5777.

We believe the 22 amendments to the Federal Credit Union Act contained in this bill would be a big step forward in the credit union movement. They will provide a means of coping with the present-day problems faced by Federal credit unions throughout the country.

We earnestly urge your support of this measure.

Sincerely yours,
BYRON L. DONEEN,
President.

N.P.T. EMPLOYEES FEDERAL
CREDIT UNION,
Portland, Oreg., June 29, 1959.

HON. EDITH GREEN,
Congresswoman, Third Oregon District,
National House of Representatives,
Washington, D.C.

DEAR MADAM: By authority of the board of directors of the above-titled organization, I am writing to beseech your support of H.R. 5777, now before the Congress for consideration.

The bill, as proposed, provides 22 most important amendments to the present Federal Credit Union Act, which will bring it up to date, and further serve the original purpose and intent of the law.

The proposed features of this bill have been thoroughly studied and have the wholehearted approval of our leagues; the national association, and credit union members in Oregon.

Any consideration you may deem feasible in support of the bill will be much appreciated by all concerned.

With kindest regards to you and yours, and best wishes for success of your legislative program, I am,

Most respectfully yours,
PHIL REYNOLDS,
Publicity Chairman.

BLESSED SACRAMENT PARISHIONERS,
FEDERAL CREDIT UNION,
Portland, Oreg., June 19, 1959.

The Honorable EDITH GREEN,
House Office Building,
Washington, D.C.

DEAR MRS. GREEN: Our credit union asks your support to assure favorable passage of bill H.R. 5777. This bill provides 22 amendments to the Federal Credit Union Act which will bring the act up to date.

This has the wholehearted approval of our leagues, national association and credit union members in Oregon.

We urgently request your attention to this bill.

Very truly yours,
PHYLLIS A. HOOVER,
Treasurer.

WEYERHAEUSER SPRINGFIELD
FEDERAL CREDIT UNION,
Springfield, Oreg., June 23, 1959.

The Honorable EDITH GREEN,
Representative in Congress,
House Office Building,
Washington, D.C.

DEAR MADAM: I wish to urge your support of H.R. 5777, which provides 22 amendments to the Federal Credit Union Act.

This bill brings the Federal Credit Union Act up to date and helps to install modern business practices that will strengthen the entire credit union movement and services to its members within our Nation.

With over 25,000 credit unions in America, over 18,000 of them Federal chartered credit unions, it is imperative that the Federal Credit Union Act be made just as fine an instrument as possible to serve these citizens of our Nation.

Your support for H.R. 5777 will be greatly appreciated.

Very truly yours,
BRYCE THALMAN,
Treasurer and Manager.

PORTLAND, OREG., June 25, 1959.

Mrs. EDITH GREEN,
Representative for the State of Oregon,
House Office Building, Washington, D.C.

DEAR MRS. GREEN: As a member of the Jantzen Employees Federal Credit Union, I am very much in favor of the passage of House of Representatives bill No. 5777, which will provide needed improvements in the current Federal credit union laws.

Thank you for any assistance you may be able to give this.

Yours truly,
Mrs. LILLIAN GALLOWAY.

WADCO EMPLOYEES
FEDERAL CREDIT UNION,
Portland, Oreg., June 22, 1959.

Congresswoman EDITH GREEN,
House Office Building,
Washington, D.C.

DEAR MRS. GREEN: We respectfully request your support of House bill H.R. 5777, which provides 22 amendments to the Federal Credit Union Act. This bill will bring the act up to date.

Your support will be most sincerely appreciated.

Respectfully,
E. L. MAGNUSON,
President.

JUNE 19, 1959.

HON. EDITH GREEN,
House Office Building,
Washington, D.C.

DEAR MRS. GREEN: I am president of the Bonneville Power Administration Federal Credit Union. We have made a study of House bill H.R. 5777, and feel that this bill would bring the Federal credit union activities up to date and this would be a benefit to the credit unions as a whole.

Our credit union provides a needed service for the Federal employees in this immediate area and the Bonneville Power Administration employees throughout the Northwest.

Anything that can be done by you to help the credit union bill will be a help to thousands of us who use the credit unions. We would appreciate your support of this bill.

Sincerely yours,
LOUIS J. COWAN,
President, Bonneville Power Administration Federal Credit Union.

CITY OF PORTLAND EMPLOYEES
CREDIT UNION,
Portland, Oreg., June 23, 1959.

HON. EDITH GREEN,
House Office Building,
Washington, D.C.

DEAR MADAM: The members and officers of the City of Portland Employees Credit Union

respectfully request you to do whatever possible to get H.R. 5777 passed at this session of Congress.

This Federal Credit Union Act is needed by all the credit unions to bring the laws and regulations into line with the current problems of financing.

Any assistance you can give will be deeply appreciated by all 3,200 members in our credit union.

Respectfully,
VERN W. TALCOTT,
Treasurer.

PORTLAND, OREG., June 24, 1959.
Representative EDITH GREEN,
Third District, State of Oregon,
House Office Building, Washington, D.C.

DEAR MRS. GREEN: I am writing to urge that H.R. 5777 receives your support. This bill will bring up to date the Federal Credit Union Act and make it possible for us to give our members better service.

Your interest in the passage of this bill will be appreciated.

Very truly yours,
E. KENNETH KLUGE.

CLERKS 1092 FEDERAL CREDIT UNION,
Portland, Oreg., June 24, 1959.

HON. EDITH GREEN,
U.S. Representative, State of Oregon,
House Office Building, Washington, D.C.

DEAR MRS. GREEN: As you undoubtedly know, hearings are now in progress on the Patman bill H.R. 5777 and on behalf of the members of our credit union, I again urge your support of the bill.

I received the copy of the bill from you in April and thank you for this courtesy.

Very sincerely,
(Mrs.) MARIE STRICKLER,
Treasurer.

SWEET HOME, OREG., June 18, 1959.
Mrs. EDITH GREEN,
Representative, Third District,
House Office Building, Washington, D.C.

DEAR MRS. GREEN: As a member and officer of a credit union, we ask you to support bill H.R. 5777, providing 22 amendments to the Federal Credit Union Act. Our credit union is named Willamette National Lumber Co. Employees Federal Credit Union, at Sweet Home, Oreg. We acquired our charter in December 1958 and it has created a lot of interest in our community.

We sincerely thank you.
PHIL STURHOLM,
Treasurer.

PORTLAND POSTAL EMPLOYEES
CREDIT UNION,
Portland, Oreg., June 20, 1959.

Mrs. EDITH GREEN,
House Office Building, Washington, D.C.

DEAR MRS. GREEN: I am writing to advise you of our interest in H.R. 5777. Anything you can do to help get this bill reported out of committee will be appreciated.

You are no doubt aware of the beneficial work being done by credit unions. If the 22 amendments to the Federal Credit Union Act embodied in this bill become law, it will be possible for Federal credit unions to give their members still better service in many ways. Our credit union, chartered by the State of Oregon, now enjoys many of the benefits that would be extended to Federal credit unions if these amendments are passed. Therefore, we speak from experience when we recommend these amendments to the Federal law.

Thanking you for any help that you can give us, I am,

Sincerely,
WAYNE S. STEWARD,
Secretary-Treasurer.

FRED MEYER EMPLOYEES
FEDERAL CREDIT UNION,
Portland, Oreg., June 18, 1959.

Hon. EDITH GREEN,
Old House Office Building,
Washington, D.C.

DEAR MRS. GREEN: While gratefully acknowledging your past interest in, and support of, credit union problems, we are writing to ask for your continued support, specifically of H.R. 5777 which we understand is presently in committee.

As you undoubtedly know, this bill is thoroughly approved by our informed credit union leaders, and its passage will enable us to give more and improved service to our millions of credit union members throughout the country.

We again thank you for your past and future actions in these matters of importance to so many of your constituents.

Yours very truly,

MILO L. WALKER,
Acting Treasurer.

S. P. BROOKLYN
FEDERAL CREDIT UNION,
Portland, Oreg., June 19, 1959.

The Honorable EDITH GREEN.

DEAR REPRESENTATIVE: At our meeting of the board of directors at our June 17, 1959, meeting, a motion was made to write to you requesting your support of H.R. 5777.

Our credit union has a membership of 1,400 and we will appreciate your support in passing this bill.

Yours truly,

CONRAD MORASCH,
Treasurer.

MULTNOMAH STATE
EMPLOYEES CREDIT UNION,
Portland, Oreg., June 19, 1959.

Hon. EDITH GREEN,
House Office Building, Washington, D.C.

DEAR MRS. GREEN: I don't know whether you remember me from P.T.A. days, but again I feel there is certain legislation that warrants your support.

At the present time I am an officer in a State credit union which operates very similar to the Federal credit union, having many of the same problems. For this reason, all of us feel that H.R. 5777 is very desirable legislation for the credit union. Also, the credit unions perform a real service for members of the community.

All of us hope that you can see your way clear to support this legislation in an active manner.

Sincerely,

VINNIE J. BELL, President.

N. W. GASCO FEDERAL CREDIT UNION,
Portland, Oreg., June 19, 1959.

Representative EDITH GREEN,
House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE GREEN: On behalf of the members and officers of the N. W. Gasco Federal Credit Union, I wish to urge your consideration and support for H.R. 5777.

As you are probably aware, the Federal Credit Union Act was a truly excellent piece of legislation that has helped millions of individuals with small and moderate incomes to save a part of what they earn and provided them with a source of credit at moderate rates. However, like all rules, regulations, and laws the act needs revisions to keep in step with the changing times and conditions within our country. H.R. 5777 provides 22 amendments to the act to bring it up to date, has been thoroughly studied and has the wholehearted approval of the Oregon Credit Union League and of the individual members and officers of our particular credit union.

Sincerely yours,

WILLIAM B. DOWN,
Treasurer.

PORTLAND, OREG., June 24, 1959.

Representative EDITH GREEN,
Third District, State of Oregon,
House Office Building,
Washington, D.C.

DEAR MRS. GREEN: As an individual, directly involved in credit union activities. I am deeply concerned in the passage of H.R. 5777. This bill provides a number of amendments to the Federal act which I feel will correct some of the policies which have prevented us from giving our members the best possible service.

I respectfully urge that you give this bill your support.

Very truly yours,

GENE KAISER.

JULY 9, 1959.

Representative EDITH GREEN,
House Office Building,
Washington, D.C.

DEAR MADAM: In May of this year, a meeting was held for all the credit unions in the State of Oregon. At this meeting, bill H.R. 5777 was unanimously approved.

We, and I speak for Albina Federal Credit Union as their treasurer, are asking your support of this bill, which we feel will greatly help the lower income groups in their borrowing and saving plans.

Sincerely yours,

G. F. SELBY,

Treasurer, Albini Federal Credit Union.

The CHAIRMAN. The time of the gentleman from New York has expired. All time has expired.

The question is on the amendment offered by the gentleman from Colorado [Mr. JOHNSON].

The question was taken, and on a division (demanded by Mr. JOHNSON of Colorado) there were—ayes 33, noes 95.

So the amendment was rejected.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. BASS of Tennessee, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 8305) to amend the Federal Credit Union Act, pursuant to House Resolution 334, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

(Mr. PATMAN asked and was given permission to revise and extend the remarks he made in the Committee of the Whole and include extraneous matter.)

GENERAL LEAVE TO EXTEND

Mr. SPENCE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

CONSTITUTIONAL AMENDMENT TO PROTECT MORAL STANDARDS

(Mr. DOWDY asked and was given permission to address the House for 1 minute.)

Mr. DOWDY. Mr. Speaker, I have today introduced a joint resolution proposing an amendment to the Constitution to restore the power of the States to protect the moral standards of their citizens.

Such an amendment has been made necessary by virtue of the decision by the Supreme Court on June 29, 1959, in the case of Kingsley International Pictures Corporation against the Regents of the University of the State of New York, which effectively strikes down every statutory prohibition against obscenity, pornography and immorality that has ever been enacted by any legislative body in this country of ours. If this decision is adhered to, or permitted to stand, then truly we will reach the depths of depravity.

The New York statute provided for denial of a license to motion pictures "which are immoral in that they portray 'acts of sexual immorality as desirable acceptable or proper patterns of behavior.'" The film involved approvingly portrays adulterous relationship. The opinion of the court is that the picture advocates an idea, namely, that adultery may be proper behavior, and that freedom to advocate such an idea is guaranteed by the first amendment.

The authors of the first amendment were God-fearing men, and certainly had no idea that their words could ever be so misconstrued and misused.

This amendment should be promptly submitted to the States for ratification.

ADJOURNMENT TO AUGUST 3

Mr. MCCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

INTERIM AUTHORITY TO SPEAKER AND CLERK

Mr. MCCORMACK. Mr. Speaker, I ask unanimous consent that notwithstanding the adjournment of the House until Monday next the Clerk may be authorized to receive messages from the Senate and that the Speaker may be authorized to sign any enrolled bills and joint resolutions duly passed by the two Houses and found truly enrolled.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY

Mr. MCCORMACK. Mr. Speaker, I ask unanimous consent that the business in

order on Calendar Wednesday of next week be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

HOUSING FOR SENIOR CITIZENS

(Mr. JOHNSON of Colorado asked and was given permission to extend his remarks at this point in the RECORD and include a statement.)

Mr. JOHNSON of Colorado. Mr. Speaker, for more than 25 years I have been interested in the development of programs, both public and private, to provide economic security in old age. Fortunately, the great human tragedy of mass poverty in old age, dramatized by the great depression, is now largely behind us.

For the past 5 years I have been deeply involved in demonstrating that we can, by a combination of public and private action, provide decent housing and neighborhoods for our senior citizens, at prices they can afford, without subsidy.

The Congress is now considering—through hearings on H.R. 4700—the Forand bill, how a combination of public and private action may provide suitable insurance against the high cost of health hazards in old age.

I believe the Members will be interested in the testimony of President Eisenhower's recent Commissioner of Social Security, Dr. Charles I. Schottland, offered before the Ways and Means Committee on July 14, 1959:

STATEMENT ON H.R. 4700 BY DR. CHARLES I. SCHOTTLAND, DEAN, FLORENCE HELLER SCHOOL FOR ADVANCED STUDIES IN SOCIAL WELFARE, BRANDEIS UNIVERSITY, JULY 14, 1959

Mr. Chairman and members of the committee, my name is Charles I. Schottland, and I am here as the representative of the National Association of Social Workers. By way of further identification, I was Commissioner of Social Security from July 1954, having been appointed to that position by President Eisenhower, to December 1958, when I resigned to become dean of the Florence Heller Graduate School for Advanced Studies in Social Welfare at Brandeis University. Prior to that time, I was director of the California Department of Social Welfare to which position I was appointed by the then Governor, Earl Warren.

Since 1927, when I entered the social welfare field, I have frequently been engaged in programs involving medical care for the aged, and it is out of this experience and study that I have come to some of the conclusions which I am setting forth today.

My testimony today will be brief because I think both the problem and the solution can be briefly stated.

THE PROBLEM

The problem is an easily stated one although one of gigantic proportions. The aged in the United States are increasing rapidly. Today we have 15.5 million persons over 65. Tomorrow at this time there will be 1,000 more such persons since that is approximately the daily net increase. But it is not only a question of large numbers of persons over 65. Because of the improvements in medical care and in our standards of living, more persons are living to a ripe old age. Of all persons 65 and over, more than one-third have passed their 75th birthday. One in seven is in the eighties, and

most most of them are women; the women exceeding the men by nearly 120 to 100. There are, I understand, more than 5,000 persons in the United States over 100 years of age and some of them are actually working and paying their social security taxes.

With old age have come the usual diseases of age and senility—diseases which are long in duration and chronic illnesses which frequently require expensive care in hospitals.

INCOME OF THE AGED

Any casual analysis of the income position of the aged in the United States reveals the very simple truth that by and large the aged in this country cannot afford to pay for expensive medical care. Sixteen percent of the aged receive old age assistance which means that they meet very strict standards of need. Another million aged persons are receiving pensions because of the death or retirement of a Government employee or railroad worker and almost a million are receiving veterans' pensions because of previous military service. In 1956 and 1957, three-fifths of all people 65 and over had less than \$1,000 in money income. Only one-fifth had more than \$2,000. Of all couples with a husband age 65 and over, almost half had cash incomes of less than \$2,000 in 1956. Half of the aged persons living alone or with nonrelatives had incomes of less than \$900. Even this small income is not reasonably certain since much of what goes into these averages comes from employment and other sources which decrease as age increases. Almost half (45 percent) of the total income of the aged comes from income maintenance programs, primarily social security and other public programs.

The problem is simply stated. When the aged have expensive hospitalization or nursing home care frequently amounting to as much as \$20 to \$30 a day or more, they simply are unable to meet this unusual and expensive medical care bill. While I was Commissioner of Social Security, the Social Security Administration conducted a survey of the OASI beneficiaries in 1957. This revealed that among the aged couples 52 percent had medical bills of more than \$200 a year; of the single persons, one-third had medical bills of more than \$200. Relate these figures of medical expenditure to the limited income of the aged and the problem is clear—the aged in the United States do not have sufficient income to meet the mounting costs of hospitalization or other long-term care.

THE SOLUTION

What is the solution to the problem? In the United States we have developed one of the highest standards of medical care in the world. Our physicians, our dentists, and other members of the healing arts professions have combined to give us a system of medicine equal to any. We have learned much about the prevention, diagnosis, and treatment of disease, and I think that the medical professions and allied medical groups can take just pride in what they have accomplished, and the contributions they have made to our American society. But the prevention, diagnosis, and treatment of disease is one thing, and the economic arrangements under which persons are able to purchase medical care is another. The former is the province of the physician and the allied medical professions. The latter is the problem of all of us.

Medical care today in the United States is just like any other commodity. It is available to those who have the purchase price. If they do not have the purchase price, some may obtain such commodity by going on relief.

Now there are only a few alternative methods of obtaining the funds necessary to purchase medical care. Let me explore with you these several methods.

(1) The individual: The traditional method of paying for medical care is that of payment through the individual's resources. For many aged, this can result in an excellent medical care program. But as already indicated in the few figures I have presented on the income status of the aged, very few can afford extensive hospitalization or nursing home care. For the average aged person, an occasional doctor's bill or dentist's bill or an occasional pair of glasses or drugs may be met from his income or other resources. But for the vast majority the payment of hospital bills or extensive nursing home care is out of the question. We, therefore, must become reconciled to the fact that payment of medical bills by the individual will not take care of the rank and file of aged people.

(2) Voluntary organizations: A second method of handling the problem would be through philanthropic medical and social welfare agencies. Private hospitals have provided yeoman service in giving medical care to the indigent of our country, but they have reached the point where they are no longer able to serve the increasing aged population. Many of our hospitals face tremendous deficits because of free service to the aged, and Blue Cross and other programs have found it increasingly difficult to finance medical care for this segment of the population. I hope that voluntary effort through hospitals, social welfare agencies, and other such groups will continue, that the sources of funds for such voluntary effort will increase, and that they will continue to make their contribution as voluntary agencies to the solution of this difficult problem. But I think that the representatives of these voluntary agencies engaged in medical care would be the first to admit that they are in no position to make substantial increased contributions to the medical care costs of the 15½ million aged in the United States.

(3) Public assistance: A third method of taking care of the problem would be to provide a very extensive system of public relief or public assistance for persons who cannot pay the medical care bill. This year, almost half a billion dollars will be spent by Federal, State, and local communities to care for the medically indigent through public assistance alone. Many persons receiving old-age assistance are receiving old-age assistance almost entirely because of their medical care needs. In other words, were it not for medical care bills, these aged would be self-supporting or living on their old-age and survivors insurance benefits. I wonder how many Americans feel that it is sound practice to force a person to go on public relief in order to receive medical care. It seems to me that this is unsound in theory and is not in accordance with American tradition. Furthermore, public assistance is a State program. In many States persons without income will not qualify because of other assets, such as real property. In some States the aged do not qualify until they have been in residence for 5 years; and a variety of other restrictions makes it impractical to think of public assistance as an answer to the problem.

(4) Voluntary insurance: Another approach to the problem would be through voluntary insurance. There is no question that voluntary insurance for the aged has made tremendous progress in the United States. The voluntary prepayment of hospital and medical costs has won wide acceptance and today, some 72 percent of the total population are covered by some form of hospitalization insurance. I believe that the insurance industry has made a yeoman effort to make a contribution to the solution of the problem of costs of medical care among the aged. In the past few years the percentage of aged with some form of medical insurance has risen rapidly. In the 1957

86TH CONGRESS
1ST SESSION

H. R. 8305

IN THE SENATE OF THE UNITED STATES

AUGUST 1, 1959

Received

AUGUST 3, 1959

Read twice and referred to the Committee on Banking and Currency

AN ACT

To amend the Federal Credit Union Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Federal Credit Union Act (48 Stat. 1216; 12
4 U.S.C., secs. 1751-1772) is amended to read as follows:

5 "SHORT TITLE

6 "SECTION 1. This Act may be cited as the 'Federal
7 Credit Union Act'.

8 "DEFINITIONS

9 "SEC. 2. As used in this Act—

10 "(1) the term 'Federal credit union' means a
11 cooperative association organized in accordance with the

1 provisions of this Act for the purpose of promoting thrift
2 among its members and creating a source of credit for
3 provident or productive purposes;

4 “(2) the term ‘Bureau’ means the Bureau of Fed-
5 eral Credit Unions; and

6 “(3) the term ‘Director’ means the Director of
7 the Bureau of Federal Credit Unions.

8 “CREATION OF BUREAU

9 “SEC. 3. There shall be in the Department of Health,
10 Education, and Welfare a Bureau of Federal Credit Unions,
11 which shall be under the supervision of a Director appointed
12 by the Secretary of Health, Education, and Welfare. The
13 Bureau of Federal Credit Unions and the Director shall be
14 under the general direction and supervision of the Secretary.

15 “FEDERAL CREDIT UNION ORGANIZATION

16 “SEC. 4. Any seven or more natural persons who desire
17 to form a Federal credit union shall subscribe before some
18 officer competent to administer oaths an organization certifi-
19 cate in duplicate which shall specifically state—

20 “(1) the name of the association;

21 “(2) the location of the proposed Federal credit
22 union and the territory in which it will operate;

23 “(3) the names and addresses of the subscribers to
24 the certificate and the number of shares subscribed by
25 each;

1 “(4) the par value of the shares, which shall be \$5
2 each;

3 “(5) the proposed field of membership, specified in
4 detail;

5 “(6) the term of the existence of the corporation,
6 which may be perpetual; and

7 “(7) the fact that the certificate is made to enable
8 such persons to avail themselves of the advantages of
9 this Act.

10 Such organization certificate may also contain any pro-
11 visions approved by the Director for the management of the
12 business of the association and for the conduct of its affairs
13 and relative to the powers of its directors, officers, or stock-
14 holders.

15 “APPROVAL OF ORGANIZATION CERTIFICATE

16 “SEC. 5. The organization certificate shall be presented
17 to the Director for approval. Before any organization cer-
18 tificate is approved, an appropriate investigation shall be
19 made for the purpose of determining (1) whether the or-
20 ganization certificate conforms to the provisions of this Act;
21 (2) the general character and fitness of the subscribers
22 thereto; and (3) the economic advisability of establishing
23 the proposed Federal credit union. Upon approval of such
24 organization certificate by the Director it shall be the char-
25 ter of the corporation, and one of the originals thereof shall

1 be delivered to the corporation after the payment of the fee
 2 required therefor. Upon such approval the Federal credit
 3 union shall be a body corporate and as such, subject to the
 4 limitations herein contained, shall be vested with all of the
 5 powers and charged with all of the liabilities conferred and
 6 imposed by this Act upon corporations organized hereunder.

7 "FEES

8 "SEC. 6. For the purpose of paying the costs incident
 9 to the ascertainment of whether an organization certificate
 10 should be approved, the subscribers to any such certificate
 11 shall pay, at the time of filing their organization certificate,
 12 the amount prescribed by the Director, which shall not
 13 exceed \$20 in any case; and on the approval of any
 14 organization certificate they shall also pay a fee of \$5. Not
 15 later than January 31 of each calendar year, each Federal
 16 credit union shall pay to the Bureau, for the preceding
 17 calendar year, a supervision fee in accordance with a grad-
 18 uated scale prescribed by regulation on the basis of assets
 19 as of December 31 of such preceding year, but such fee
 20 shall in no event be less than \$10 nor more than the appli-
 21 cable amount specified in the following table:

"Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000----	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000--	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000--	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

1 All such fees shall be deposited with the Treasurer of the
2 United States for the account of the Bureau and may be
3 expended by the Director for such administrative, super-
4 visory, and other expenses incurred in carrying out the pro-
5 visions of this Act as he may determine to be proper, the
6 purpose of such fees being to defray such expenses as far
7 as practicable. No annual supervision fee shall be payable
8 by a Federal credit union with respect to the year in which
9 its charter is issued, or in which final distribution is made
10 in its liquidation or the charter is otherwise canceled.

11 "REPORTS AND EXAMINATIONS

12 "SEC. 7. Federal credit unions shall be under the
13 supervision of the Director, and shall make financial reports
14 to him as and when he may require, but at least annually.
15 Each Federal credit union shall be subject to examination
16 by, and for this purpose shall make its books and records
17 accessible to, any person designated by the Director. The
18 Director shall fix a scale of examination fees to be paid
19 by Federal credit unions, giving due consideration to the
20 time and expense incident to such examinations, and to
21 the ability of Federal credit unions to pay such fees, which
22 fees shall be assessed against and paid by each Federal
23 credit union promptly after the completion of such exami-
24 nation. Examination fees collected under the provisions of
25 this section shall be deposited to the credit of the special

1 fund created by section 6, and shall be available for the
2 purposes specified in such section.

3 "POWERS

4 "SEC. 8. A Federal credit union shall have succession
5 in its corporate name during its existence and shall have
6 power—

7 " (1) to make contracts;

8 " (2) to sue and be sued;

9 " (3) to adopt and use a common seal and alter
10 the same at pleasure;

11 " (4) to purchase, hold, and dispose of property
12 necessary or incidental to its operations;

13 " (5) to make loans with maturities not exceeding
14 five years to its members for provident or productive
15 purposes upon such terms and conditions as this Act
16 and its bylaws provide and as the credit committee or
17 a loan officer may approve, at rates of interest not ex-
18 ceeding 1 per centum per month on unpaid balances,
19 inclusive of all charges incident to making the loan;
20 except that no loans to a director or member of the
21 supervisory or credit committee shall exceed the amount
22 of his holdings in the Federal credit union as represented
23 by shares thereof plus the total unencumbered and un-

pledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member. No director or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this paragraph, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Director after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such

1 other factors as the Director deems relevant, but such
2 rules and regulations shall not require payments more
3 frequently than annually;

4 “(6) to receive from its members payments on
5 shares;

6 “(7) to invest its funds (A) in loans exclusively
7 to members; (B) in obligations of the United States of
8 America, or securities fully guaranteed as to principal
9 and interest thereby; (C) in accordance with rules and
10 regulations prescribed by the Director, in loans to other
11 credit unions in the total amount not exceeding 25 per
12 centum of its paid-in and unimpaired capital and sur-
13 plus; or (D) in shares or accounts of savings and loan
14 associations, the accounts of which are insured by the
15 Federal Savings and Loan Insurance Corporation;

16 “(8) to make deposits in national banks and in
17 State banks, trust companies, and mutual savings banks
18 operating in accordance with the laws of the State in
19 which the Federal credit union does business;

20 “(9) to borrow, in accordance with such rules and
21 regulations as may be prescribed by the Director, from
22 any source, in an aggregate amount not exceeding 50
23 per centum of its paid-in and unimpaired capital and
24 surplus: *Provided*, That any Federal credit union may
25 discount with or sell to any Federal intermediate credit

1 bank any eligible obligations up to the amount of its
2 paid-in and unimpaired capital;

3 “(10) to levy late charges, in accordance with the
4 bylaws, for failure of members to meet promptly their
5 obligations to the Federal credit union;

6 “(11) to impress and enforce a lien upon the shares
7 and dividends of any member, to the extent of any loan
8 made to him and any dues or charges payable by him;

9 “(12) in accordance with rules and regulations pre-
10 scribed by the Director, to sell to members negotiable
11 checks (including travelers checks) and money orders,
12 and to cash checks and money orders for members, for
13 a fee which does not exceed the direct and indirect costs
14 incident to providing such service; and

15 “(13) to exercise such incidental powers as shall
16 be necessary or requisite to enable it to carry on
17 effectively the business for which it is incorporated.

18 “BYLAWS

19 “SEC. 9. In order to simplify the organization of Fed-
20 eral credit unions the Director shall from time to time cause
21 to be prepared a form of organization certificate and a form
22 of bylaws, consistent with this Act, which shall be used by
23 Federal credit union incorporators, and shall be supplied to
24 them on request. At the time of presenting the organization

1 certificate the incorporators shall also submit proposed by-
2 laws to the Director for his approval.

3 "MEMBERSHIP

4 "SEC. 10. Federal credit union membership shall con-
5 sist of the incorporators and such other persons and incor-
6 porated and unincorporated organizations, to the extent
7 permitted by rules and regulations prescribed by the Di-
8 rector, as may be elected to membership and as such shall
9 each, subscribe to at least one share of its stock and pay the
10 initial installment thereon and the entrance fee; except that
11 Federal credit union membership shall be limited to groups
12 having a common bond of occupation or association, or to
13 groups within a well-defined neighborhood, community, or
14 rural district. Shares may be issued in joint tenancy with
15 right of survivorship with any persons designated by the
16 credit union member, but no joint tenant shall be permitted
17 to vote, obtain loans, or hold office, unless he is within the
18 field of membership and is a qualified member.

19 "MEMBERS' MEETINGS

20 "SEC. 11. The fiscal year of all Federal credit unions
21 shall end December 31. The annual meeting of each Fed-
22 eral credit union shall be held at such time during the month
23 of the following January and at such place as its bylaws shall
24 prescribe. Special meetings may be held in the manner
25 indicated in the bylaws. No member shall be entitled to

1 vote by proxy, but a member other than a natural person
2 may vote through an agent designated for the purpose. Ir-
3 respective of the number of shares held by him, no member
4 shall have more than one vote.

5 "MANAGEMENT

6 "SEC. 12. The business affairs of a Federal credit union
7 shall be managed by a board of not less than five directors,
8 and a credit committee of not less than three members, all
9 to be elected at the annual members' meeting by and from
10 the members, and by a supervisory committee of three mem-
11 bers, one of whom may be a director other than the treasurer,
12 to be appointed by the board. Any vacancy occurring in the
13 supervisory committee shall be filled in the same manner as
14 original appointments to such committee. All members of
15 the board and of such committees shall hold office for such
16 terms, respectively, as the bylaws may provide. A record of
17 the names and addresses of the members of the board and
18 such committees and of the officers of the credit union shall
19 be filed with the Bureau within ten days after their election
20 or appointment. No member of the board or of either such
21 committee shall, as such, be compensated.

22 "OFFICERS

23 "SEC. 13. At their first meeting after the annual meet-
24 ing of the members, the directors shall elect from their num-
25 ber a president, one or more vice presidents, a secretary, and

1 a treasurer, who shall be the executive officers of the cor-
2 poration. No executive officer, except the treasurer, shall
3 be compensated as such. The offices of secretary and treas-
4 urer may be held by the same person. The duties of the
5 officers shall be as determined by the bylaws, except that the
6 treasurer shall be the general manager of the corporation.
7 Before the treasurer shall enter upon his duties he shall give
8 bond with good and sufficient surety, in an amount and char-
9 acter to be determined by the board of directors in compli-
10 ance with regulations prescribed from time to time by the
11 Director, conditioned upon the faithful performance of his
12 trust.

13 "DIRECTORS

14 "SEC. 14. The board of directors shall meet at least
15 once a month and shall have the general direction and con-
16 trol of the affairs of the corporation. Minutes of all such
17 meetings shall be kept. Among other things they shall act
18 upon applications for membership; require any officer or em-
19 ployee having custody of or handling funds to give bond
20 with good and sufficient surety in an amount and character
21 to be determined by the board of directors in compliance
22 with regulations prescribed from time to time by the Di-
23 rector, and authorize the payment of the premium or pre-
24 miums therefor from the funds of the Federal credit union;
25 fill vacancies in the board and in the credit committee until

1 successors elected at the next annual meeting have qualified;
2 have charge of investments other than loans to members;
3 determine from time to time the maximum number of shares
4 that may be held by an individual; subject to the limitations
5 of this Act, determine the interest rates on loans and the
6 maximum amount which may be loaned with or without
7 security to any member; subject to such regulations as may
8 be issued by the Director, authorize an interest refund to
9 members of record at the close of business on December 31
10 in proportion to the interest paid by them during that year;
11 and provide for compensation of necessary clerical and au-
12 diting assistance requested by the supervisory committee, and
13 of loan officers appointed by the credit committee. The
14 board may appoint an executive committee of not less than
15 three directors to act for it in the purchase and sale of secu-
16 rities or the making of loans to other credit unions, or both.
17 Such executive committee or a membership officer appointed
18 by the board from among the members of the credit union,
19 other than the treasurer, an assistant treasurer, or a loan offi-
20 cer, may be authorized by the board to approve applications
21 for membership under such conditions as the board may pre-
22 scribe; except that such committee or membership officer so
23 authorized shall submit to the board at each monthly meet-
24 ing a list of approved or pending applications for member-
25 ship received since the previous monthly meeting, together

1 with such other related information as the bylaws or the
2 board may require.

3 "CREDIT COMMITTEE

4 "SEC. 15. The credit committee shall hold such meet-
5 ings as the business of the Federal credit union may require
6 and not less frequently than once a month to consider appli-
7 cations for loans. Reasonable notice of such meetings shall
8 be given to all members of the committee. No loan shall be
9 made unless it is approved by a majority of the entire com-
10 mittee and by all members of the committee who are present
11 at the meeting at which the application is considered; except
12 that the credit committee may appoint one or more loan offi-
13 cers, and delegate to him or them the power to approve loans
14 up to the unsecured limit, or in excess of such limit if
15 such excess is fully secured by unpledged shares. Each
16 loan officer shall furnish to the credit committee a record
17 of each loan approved or not approved by him within seven
18 days of the date of the filing of the application therefor. All
19 loans not approved by a loan officer shall be acted upon by
20 the credit committee. No individual shall have authority to
21 disburse funds of the Federal credit union for any loan which
22 has been approved by him in his capacity as a loan officer.
23 Not more than one member of the credit committee may
24 be appointed as a loan officer. Applications for loans
25 shall be made on forms prepared by such committee,

1 which shall set forth the purpose for which the loan is
2 desired, the security, if any, and such other data as may
3 be required. No loan shall be made to any member which
4 causes such member to become indebted to the Federal
5 credit union in an aggregate amount, upon loans made to
6 such member, which is in excess of \$200 or 10 per centum
7 of the credit union's paid-in unimpaired capital and surplus,
8 whichever is greater, or in excess of \$1,000 unless such ex-
9 cess over \$1,000 is adequately secured. For the purposes
10 of this section an assignment of shares or the endorsement
11 of a note shall be deemed security.

12 "SUPERVISORY COMMITTEE

13 "SEC. 16. The supervisory committee shall make or
14 cause to be made, at least quarterly, an examination of the
15 affairs of the Federal credit union, including an audit of its
16 books; shall make or cause to be made a report of its
17 quarterly examination to the board of directors; shall make
18 or cause to be made an annual audit, a report of which
19 shall be submitted to the members at the next annual meet-
20 ing of the corporation; may suspend by a unanimous vote
21 any officer of the corporation or any member of the credit
22 committee or of the board of directors, until the next mem-
23 bers' meeting, which members' meeting shall be held not
24 less than seven nor more than fourteen days after such
25 suspension and at which meeting such suspension shall be

1 acted upon by the members; and may call by a majority
2 vote a special meeting of the shareholders to consider
3 any violation of this Act, the charter, or the bylaws, or
4 any practice of the corporation deemed by the supervisory
5 committee to be unsafe or unauthorized. Any member of
6 the supervisory committee may be suspended by the
7 board of directors. The members shall decide, at a meet-
8 ing held not less than seven nor more than fourteen days
9 after any such suspension, whether the suspended com-
10 mittee member shall be removed from or restored to the
11 supervisory committee. The supervisory committee shall
12 cause the passbooks and accounts of the members to be
13 verified with the records of the treasurer from time to time,
14 and not less frequently than once every two years. As used
15 in this section, the term 'passbook' shall include any book,
16 statement of account, or other record approved by the Di-
17 rector for use by Federal credit unions.

18 "RESERVES

19 "SEC. 17. All entrance fees and charges provided by the
20 bylaws and 20 per centum of the net earnings of each divi-
21 dend period, before the declaration of any dividends, shall be
22 set aside as a regular reserve against losses on bad loans and
23 such other losses as may be specified in the bylaws in accord-
24 ance with regulations prescribed under this Act: *Provided,*
25 *however,* That when the regular reserve thus established shall

1 equal 10 per centum of the total amount of members' share-
2 holdings, no further transfer of net earnings to such regular
3 reserve shall be required except that such amounts not in ex-
4 cess of 20 per centum of the net earnings as may be needed
5 to maintain this 10 per centum ratio shall continue to be
6 transferred. In addition to such regular reserve, special re-
7 serves to protect the interests of members shall be established
8 when required (1) by regulation, or (2) in any special
9 case, when found by the Director to be necessary for that
10 purpose.

11 "DIVIDENDS

12 "SEC. 18. Annually or semiannually, as the bylaws may
13 provide, and after provision for the required reserves, the
14 board of directors may declare a dividend to be paid from
15 the remaining net earnings. Such dividend shall be paid on
16 all paid-up shares outstanding at the end of the period for
17 which the dividend is declared. Shares which become fully
18 paid up during such dividend period and are outstanding at
19 the close of the period shall be entitled to a proportional part
20 of such dividend. Dividend credit for a month may be ac-
21 crued on shares which are or become fully paid up during
22 the first five days of that month.

23 "EXPULSION AND WITHDRAWAL

24 "SEC. 19. A member may be expelled by a two-thirds
25 vote of the members of a Federal credit union present at

1 a special meeting called for the purpose, but only after an
2 opportunity has been given him to be heard. Withdrawal
3 or expulsion of a member shall not operate to relieve him
4 from liability to the Federal credit union. The amount to
5 be paid a withdrawing or expelled member by a Federal
6 credit union shall be determined and paid in the manner
7 specified in the bylaws.

8 "MINORS

9 "SEC. 20. Shares may be issued in the name of a minor
10 or in trust, subject to such conditions as may be prescribed
11 by the bylaws. When shares are issued in trust, the name
12 of the beneficiary shall be disclosed to the Federal credit
13 union.

14 "CERTAIN POWERS OF DIRECTOR

15 "SEC. 21. (a) The Director may prescribe rules and
16 regulations for the administration of this Act (including,
17 but not by way of limitation, the merger, consolidation,
18 and dissolution of corporations organized under this Act).

19 "(b) (1) The Director may suspend or revoke the
20 charter of any Federal credit union, or place the same in
21 involuntary liquidation and appoint a liquidating agent there-
22 for, upon his finding that the organization is bankrupt or
23 insolvent, or has violated any of the provisions of its charter,
24 its bylaws, this Act, or any regulations issued thereunder.

25 "(2) The Director, through such persons as he shall

1 designate, may examine any Federal credit union in volun-
2 tary liquidation and, upon his finding that such voluntary
3 liquidation is not being conducted in an orderly or efficient
4 manner or in the best interests of its members, may termi-
5 nate such voluntary liquidation and place such organization
6 in involuntary liquidation and appoint a liquidating agent
7 therefor.

8 “(3) Such liquidating agent shall have power and au-
9 thority, subject to the control and supervision of the Director
10 and under such rules and regulations as the Director may
11 prescribe, (A) to receive and take possession of the books,
12 records, assets, and property of every description of the
13 Federal credit union in liquidation, to sell, enforce collection
14 of, and liquidate all such assets and property, to compound
15 all bad or doubtful debts, and to sue in his own name or in
16 the name of the Federal credit union in liquidation, and
17 defend such actions as may be brought against him as
18 liquidating agent or against the Federal credit union; (B)
19 to receive, examine, and pass upon all claims against the
20 Federal credit union in liquidation, including claims of mem-
21 bers on shares; (C) to make distribution and payment to
22 creditors and members as their interests may appear; and
23 (D) to execute such documents and papers and to do such
24 other acts and things which he may deem necessary or
25 desirable to discharge his duties hereunder.

1 “(4) Subject to the control and supervision of the
2 Director and under such rules and regulations as the Director
3 may prescribe, the liquidating agent of a Federal credit
4 union in involuntary liquidation shall (A) cause notice to
5 be given to creditors and members to present their claims
6 and make legal proof thereof, which notice shall be published
7 once a week in each of three successive weeks in a news-
8 paper of general circulation in each county in which the
9 Federal credit union in liquidation maintained an office or
10 branch for the transaction of business on the date it ceased
11 unrestricted operations; except that whenever the aggregate
12 book value of the assets and property of a Federal
13 credit union in involuntary liquidation is less than \$1,000,
14 unless the Director shall find that its books and records do
15 not contain a true and accurate record of its liabilities, he
16 shall declare such Federal credit union in liquidation to be
17 a ‘no publication’ liquidation, and publication of notice to
18 creditors and members shall not be required in such case;
19 (B) from time to time make a ratable dividend on all such
20 claims as may have been proved to his satisfaction or adjudi-
21 cated in a court of competent jurisdiction and, after the
22 assets of such organization have been liquidated, make fur-
23 ther dividends on all claims previously proved or adjudi-
24 cated, and he may accept in lieu of a formal proof of claim
25 on behalf of any creditor or member the statement of any

1 amount due to such creditor or member as shown on the
2 books and records of the credit union; but all claims not filed
3 before payment of the final dividend shall be barred and
4 claims rejected or disallowed by the liquidating agent shall
5 be likewise barred unless suit be instituted thereon within
6 three months after notice of rejection or disallowance; and
7 (C) in a 'no publication' liquidation, determine from all
8 sources available to him, and within the limits of available
9 funds of the Federal credit union, the amounts due to credi-
10 tors and members, and after sixty days shall have elapsed
11 from the date of his appointment distribute the funds of the
12 Federal credit union to creditors and members ratably and as
13 their interests may appear.

14 " (5) Upon certification by the liquidating agent in the
15 case of an involuntary liquidation, and upon such proof as
16 shall be satisfactory to the Director in the case of a voluntary
17 liquidation, that distribution has been made and that liqui-
18 dation has been completed, as provided herein, the Director
19 shall cancel the charter of such Federal credit union; but the
20 corporate existence of the Federal credit union shall continue
21 for a period of three years from the date of such cancellation
22 of its charter, during which period the liquidating agent, or
23 his duly appointed successor, or such persons as the Director
24 shall designate, may act on behalf of the Federal credit union
25 for the purpose of paying, satisfying, and discharging any

1 existing liabilities or obligations, collecting and distributing
2 its assets, and doing all other acts required to adjust and
3 wind up its business and affairs, and it may sue and be sued
4 in its corporate name.

5 “(c) After the expiration of five years from the date
6 of cancellation of the charter of a Federal credit union the
7 Director may, in his discretion, destroy any or all books and
8 records of such Federal credit union in his possession or
9 under his control.

10 “(d) The Director is authorized and empowered to
11 execute any and all functions and perform any and all duties
12 vested in him hereby, through such persons as he shall desig-
13 nate or employ; and he may delegate to any person or per-
14 sons, including any institution operating under the general
15 supervision of the Bureau, the performance and discharge
16 of any authority, power, or function vested in him by this
17 Act.

18 “(e) All books and records of Federal credit unions
19 shall be kept and reports shall be made in accordance with
20 forms approved by the Director.

21 “(f) The Director is authorized to make investigations
22 and to conduct researches and studies of the problems of
23 persons of small means in obtaining credit at reasonable
24 rates of interest, and of the methods and benefits of co-
25 operative saving and lending among such persons. He is

1 further authorized to make reports of such investigations
2 and to publish and disseminate the same.

3 “(g) Any officer or employee of the Bureau is author-
4 ized, when designated for the purpose by the Director, to
5 administer oaths and affirmations and to take affidavits and
6 depositions touching upon any matter within the jurisdiction
7 of the Bureau.

8 “(h) The Director is authorized, empowered, and
9 directed to require that every person appointed or elected
10 by any Federal credit union to any position requiring the
11 receipt, payment, or custody of money or other personal
12 property owned by a Federal credit union, or in its custody
13 or control as collateral or otherwise, give bond in a corporate
14 surety company holding a certificate of authority from the
15 Secretary of the Treasury under the Act approved July 30,
16 1947 (6 U.S.C., sec. 6-13), as an acceptable surety on
17 Federal bonds. Any such bond or bonds shall be in a form
18 approved by the Director with a view to providing surety
19 coverage to the Federal credit union with reference to loss
20 by reason of acts of fraud or dishonesty including forgery,
21 theft, embezzlement, wrongful abstraction, or misapplication
22 on the part of the person, directly or through connivance
23 with others, and such other surety coverages as the Director
24 may determine to be reasonably appropriate or as elsewhere
25 required by this Act. Any such bond or bonds shall be in

1 such an amount in relation to the money or other personal
2 property involved or in relation to the assets of the Federal
3 credit union as the Director may from time to time prescribe
4 by regulation for the purpose of requiring reasonable cover-
5 age. In lieu of individual bonds the Director may approve
6 the use of a form of schedule or blanket bond which covers all
7 of the officers and employees of a Federal credit union whose
8 duties include the receipt, payment, or custody of money or
9 other personal property for or on behalf of the Federal credit
10 union. The Director may also approve the use of a form
11 of excess coverage bond whereby a Federal credit union
12 may obtain an amount of coverage in excess of the basic
13 surety coverage.

14 "FISCAL AGENTS AND DEPOSITORIES

15 "SEC. 22. Each Federal credit union organized under this
16 Act, when requested by the Secretary of the Treasury, shall
17 act as fiscal agent of the United States and shall perform
18 such services as the Secretary of the Treasury may require in
19 connection with the collection of taxes and other obligations
20 due the United States and the lending, borrowing, and re-
21 payment of money by the United States, including the issue,
22 sale, redemption, or repurchase of bonds, notes, Treasury
23 certificates of indebtedness, or other obligations of the United
24 States; and to facilitate such purposes the Director shall fur-
25 nish to the Secretary of the Treasury from time to time the

1 names and addresses of all Federal credit unions with such
2 other available information concerning them as may be re-
3 quested by the Secretary of the Treasury. Any Federal
4 credit union organized under this Act, when designated for
5 that purpose by the Secretary of the Treasury, shall be a
6 depository of public money, except receipts from customs,
7 under such regulations as may be prescribed by the Secre-
8 tary of the Treasury.

9 "TAXATION

10 "SEC. 23. The Federal credit unions organized here-
11 under, their property, their franchises, capital, reserves, sur-
12 pluses, and other funds, and their income shall be exempt
13 from all taxation now or hereafter imposed by the United
14 States or by any State, Territorial, or local taxing authority;
15 except that any real property and any tangible personal
16 property of such Federal credit unions shall be subject to
17 Federal, State, Territorial, and local taxation to the same
18 extent as other similar property is taxed. Nothing herein
19 contained shall prevent holdings in any Federal credit union
20 organized hereunder from being included in the valuation of
21 the personal property of the owners or holders thereof in
22 assessing taxes imposed by authority of the State or political
23 subdivision thereof in which the Federal credit union is
24 located; but the duty or burden of collecting or enforcing
25 the payment of such a tax shall not be imposed upon any

1 such Federal credit union and the tax shall not exceed the
2 rate of taxes imposed upon holdings in domestic credit
3 unions.

4 "PARTIAL INVALIDITY; RIGHT TO AMEND

5 "SEC. 24. (a) If any provision of this Act, or the ap-
6 plication thereof to any person or circumstance, is held in-
7 valid, the remainder of the Act, and the application of such
8 provision to other persons or circumstances, shall not be
9 affected thereby.

10 "(b) The right to alter, amend, or repeal this Act or
11 any part thereof, or any charter issued pursuant to the pro-
12 visions of this Act, is expressly reserved.

13 "SPACE IN FEDERAL BUILDINGS

14 "SEC. 25. Upon application by any credit union organ-
15 ized under State law or by any Federal credit union organ-
16 ized in accordance with the terms of this Act, at least 95
17 per centum of the membership of which is composed of
18 persons who either are presently Federal employees or were
19 Federal employees at the time of admission into the credit
20 union, and members of their families, which application shall
21 be addressed to the officer or agency of the United States
22 charged with the allotment of space in the Federal build-
23 ings in the community or district in which such credit union
24 does business, such officer or agency may in his or its dis-

1 cretion allot space to such credit union if space is available
2 without charge for rent or services.

3 “CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND
4 FROM STATE TO FEDERAL CREDIT UNION

5 “SEC. 26. (a) A Federal credit union may be converted
6 into a State credit union under the laws of any State, the
7 District of Columbia, the several Territories and possessions
8 of the United States, the Panama Canal Zone, or the Com-
9 monwealth of Puerto Rico, by complying with the following
10 requirements:

11 “(1) The proposition for such conversion shall first be
12 approved, and a date set for a vote thereon by the members
13 (either at a meeting to be held on such date or by written
14 ballot to be filed on or before such date), by a majority of
15 the directors of the Federal credit union. Written notice of
16 the proposition and of the date set for the vote shall then
17 be delivered in person to each member, or mailed to each
18 member at the address for such member appearing on the
19 records of the credit union, not more than thirty nor less
20 than seven days prior to such date. Approval of the proposi-
21 tion for conversion shall be by the affirmative vote of a
22 majority of the members, in person or in writing.

23 “(2) A statement of the results of the vote, verified by
24 the affidavits of the president or vice president and the

1 secretary, shall be filed with the Bureau within ten days
2 after the vote is taken.

3 “(3) Promptly after the vote is taken and in no event
4 later than ninety days thereafter, if the proposition for con-
5 version was approved by such vote, the credit union shall
6 take such action as may be necessary under the applicable
7 State law to make it a State credit union, and within ten
8 days after receipt of the State credit union charter there shall
9 be filed with the Bureau a copy of the charter thus issued.
10 Upon such filing the credit union shall cease to be a Federal
11 credit union.

12 “(4) Upon ceasing to be a Federal credit union, such
13 credit union shall no longer be subject to any of the pro-
14 visions of this Act. The successor State credit union shall
15 be vested with all of the assets and shall continue respon-
16 sible for all of the obligations of the Federal credit union
17 to the same extent as though the conversion had not taken
18 place.

19 “(b) (1) A State credit union, organized under the
20 laws of any State, the District of Columbia, the several
21 Territories and possessions of the United States, the Panama
22 Canal Zone, or the Commonwealth of Puerto Rico, may
23 be converted into a Federal credit union by (A) comply-

1 ing with all State requirements requisite to enabling it to
2 convert to a Federal credit union or to cease being a State
3 credit union, (B) filing with the Bureau proof of such
4 compliance, satisfactory to the Director, and (C) filing
5 with the Bureau an organization certificate as required by
6 this Act.

7 “(2) When the Director has been satisfied that all of
8 such requirements, and all other requirements of this Act,
9 have been complied with, the Director shall approve the
10 organization certificate. Upon such approval, the State
11 credit union shall become a Federal credit union as of the
12 date it ceases to be a State credit union. The Federal
13 credit union shall be vested with all of the assets and
14 shall continue responsible for all of the obligations of the
15 State credit union to the same extent as though the conver-
16 sion had not taken place.

17 “TERRITORIAL APPLICABILITY OF ACT

18 “SEC. 27. The provisions of this Act shall apply to the
19 several States, the District of Columbia, the several Terri-
20 tories and possessions of the United States, the Panama Canal
21 Zone, and the Commonwealth of Puerto Rico.”

22 SEC. 2. Section 2113 (g) of title 18 of the United States
23 Code is amended by inserting before the period at the end

1 thereof “, and any ‘Federal credit union’ as defined in section
2 2 of the Federal Credit Union Act”.

3 SEC. 3. The Director of the Bureau of Federal Credit
4 Unions shall submit to the Congress on or before January 15,
5 1960, a draft of legislation providing for federally chartered
6 central credit unions.

Passed the House of Representatives July 30, 1959.

Attest:

RALPH R. ROBERTS,

Clerk.

AN ACT

To amend the Federal Credit Union Act.

AUGUST 1, 1959

Received

AUGUST 3, 1959

Read twice and referred to the Committee on
Banking and Currency

August 21, 1959

Committee (see Digest 142 for a statement of the purpose for which these funds are to be used). p. 15321

11. CREDIT UNIONS. The Banking and Currency Committee voted to report with amendment (but did not actually report) H. R. 8305, to make various amendments to the Federal Credit Union Act. p. D809
12. FOOD STAMPS. Sen. Symington urged the enactment of legislation to provide for the establishment of a food stamp plan for the distribution of surplus commodities, stating that he hoped "the Senate will follow the positive action by the House of Representatives in enacting this much-needed legislation, so that our agricultural abundance can be used as a blessing instead of an economic evil." p. 15290

Sens. Hennings and Humphrey commended the efforts of Rep. Sullivan for enactment of food stamp legislation, and urged Senate approval of such legislation. pp. 15281, 15290
13. WEATHER MODIFICATION. Sen. Case, S. Dak., inserted an article predicting that "within 10 years rockets will be an important means of determining the trend of weather, and perhaps will lead to long-range modification." pp. 15266-7
14. PERSONNEL. Sen. Johnston inserted two articles discussing the testimony of Roger Jones, Chairman of the Civil Service Commission, on the proposed employee health insurance bill, and stated that "the relatively new Chairman of the Civil Service Commission - who got off to such a good start in many ways - appears to be the victim of bad advice and some questionable figures with respect to the Federal employees' health benefits program." pp. 15291-2
15. FARM SUBSIDIES. Sen. Yarborough inserted an article, "Figures Defend Farm Subsidies," stating that "It helps set the record straight on who is getting the biggest subsidies, and it shows the actual figures." pp. 15298-9
16. ATOMIC RADIATION. Sen. Humphrey inserted an article discussing the establishment of a Federal Council on Radiation, and stated his belief that such a council should be composed of scientists rather than heads of departments. pp. 15316-8
17. FORESTRY. Sen. Humphrey inserted an editorial urging the enactment of legislation to provide for the establishment of wilderness areas. p. 15318
18. TOBACCO. Sen. Cooper inserted reports from this Department and the University of Kentucky on the results of tests made on Vanguard cigarettes, which reportedly contain a substitute for tobacco, and telegrams from the makers of the cigarettes to him and Secretary Benson protesting the analysis of the contents of this product. pp. 15347-8
19. FOREIGN TRADE. Debated H. R. 2411, to amend the Tariff Act of 1930 so as to provide for the free importation of tourist literature, including a provision to provide for the same rate of duty on all wood molding as presently applies to wood moldings and carvings to be used for architectural and furniture decoration. pp. 15325-9, 15333-47

20. LEGISLATIVE PROGRAM. Sen. Johnson announced that the consent calendar will be called today, Aug. 24, and that the following bills may be brought up at any time: S. 1748, extension of Public Law 480 (he stated this bill will probably be considered Tues., Aug. 25); S. 1711, the food for peace bill; H. R. 4938, exemption of green peanuts from allotments and quotas; S. 2522, to establish experimental food stamp plan; and S. 1789, to provide adequate supply of railroad freight cars. pp. 15255-6, 15347

21. ADJOURNED until Mon., Aug. 24. p. 15348

BILLS INTRODUCED

22. PERSONNEL. S. 2575, by Sen. Neuberger and others, to provide a health benefits program for certain retired employees of the Government; to Post Office and Civil Service Committee. Remarks of author. pp. 15258-61

23. PROPERTY. S. 2580, by Sen. McClellan, to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to witnesses. Remarks of author. p. 15261

S. 2581, by Sen. McClellan, to amend the Act of June 1, 1948 (62 Stat. 281) to empower the Administrator of General Services to appoint non-uniformed special policemen. Remarks of author. pp. 15261-2

S. 2582, by Sen. McClellan, to amend section 202(a) of the Federal Property and Administrative Services Act of 1949, as amended, to promote the utilization of excess property and to simplify the reimbursement procedure for transfers of such property. Remarks of author. pp. 15262-3

24. LANDS. S. 2583, by Sen. McClellan, to authorize the head of any executive agency to reimburse owners and tenants of lands or interests in land acquired for projects or activities under his jurisdiction for their moving expenses, and for other purposes; to Government Operations Committee. Remarks of author. pp. 15263-4

ITEMS IN APPENDIX

25. COTTON. Extension of remarks of Sen. Johnson inserting an article, "Higher Export Subsidies No Panacea for Cotton." p. A7251

26. LAND REFORM. Rep. Berry inserted a letter outlining "four basic and essential elements for the success of land reform any place and under any circumstances." p. A7251

27. FARM SAFETY. Rep. Rees inserted a statement by Mr. Maynard Coe, director of farm safety, National Safety Council. pp. A7258-9

28. ECONOMIC GROWTH; INFLATION. Extension of remarks of Sen. Williams, N. J., stating that "the second report of the President's Cabinet Committee on Price Stability has puzzled many observers...", that "the first report emphasized the perils of inflation; the second report would like us to forget, for the moment, what the first report emphasized so vigorously," and inserting an editorial, "Shift In Emphasis." pp. A7270-1

2. SILK IMPORTS. The Finance Committee reported without amendment H. R. 2386, to suspend for 3 years, beginning 60 days from date of enactment, the import duties on certain classification of spun silk yarn (S. Rept. 311). p. 15474

3. CREDIT UNIONS. The Banking and Currency Committee reported with amendments H. R. 3305, to make various amendments to the Federal Credit Union Act (S. Rept. 314). p. 15474

4. PERSONNEL. The Post Office and Civil Service Committee voted to report (but did not actually report) the following bills: H. R. 5752, to grant Federal employees legal holidays on Friday for holidays occurring on Saturday; and H. R. 6059, to provide additional civilian positions for the Department of Defense for scientific research and development, with an amendment to include the text of S. 2461, to amend the Federal Employees Group Life Insurance Act of 1954 to eliminate the provision reducing the amount of insurance after age 65. p. D822

The Post Office and Civil Service Committee voted, 6 to 3, to postpone action until next year on S. 1638, to establish an Office of Personnel Management and revise the functions of the Civil Service Commission. p D822

5. PROPERTY. The Government Operations Committee voted to report (but did not actually report) the following: S. J. Res. 121, without amendment, to permit certain property conveyed by this Department to the La. State University and Agricultural and Mechanical College to be used for general educational purposes; S. 155, with amendment, to permit the donation of Government surplus property to libraries which are tax-supported or publicly owned and operated; S. 1618, with amendment, to authorize the donation of surplus property to certain agencies engaged in cooperative agricultural extension work; and S. 910, with amendment, to authorize the payment to local governments of sums in lieu of taxes and special assessments on Federal property (the "Daily Digest" states that prior to approval of this bill the committee rejected a motion by Sen. Mundt to substitute the language of his bill, S. 1417, to establish a temporary Commission on Federal Contributions to State and Local Governments). p. D821

6. PUBLIC LANDS; WILDLIFE. Passed without amendment H. R. 2725, to prohibit the use of aircraft or motor vehicles to hunt wild horses or burros on Federal lands. This bill will now be sent to the President. pp. 15493-7

7. BUILDINGS. Passed with amendment H. R. 7645, to grant GSA additional authority for the construction, alteration, and acquisition of Federal buildings. Senate conferees were appointed. A similar bill, S. 1654, was indefinitely postponed. pp. 15523-33

8. FOREIGN TRADE. Passed with amendment H. R. 2411, to provide for the free importation of tourist literature after agreeing to an amendment by Sen. Yarborough to delete a section which would have increased the import duty on wood moldings. pp. 15514-23, 15526

9. CLAIMS; CIVIL DEFENSE. Received from the President supplemental appropriation estimates to pay claims for damages and judgments against the U. S. (S. Doc. 43), and for "salaries and expenses" of the Office of Civil and Defense Mobilization (S. Doc. 45). p. 15474

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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Issued Aug. 26, 1959
For actions of Aug. 25, 1959
86th-1st, No. 146

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HIGHLIGHTS: Senate committee reported amendments to Public Law 480 bill. House committee reported housing bill. House subcommittee voted to report bill to require marketing quotas for rice.

SENATE

1. FOREIGN TRADE; SURPLUS COMMODITIES. The Agriculture and Forestry Committee reported amendments to S. 1748, to extend Public Law 480 (p. 15478). The "Daily Digest" states that the committee amendments include a 3-year extension of the law (p. D821). Sen. Johnston expressed his support for an amendment proposed by Sen. Butler "to provide that shipments of surplus agricultural commodities destined to foreign countries exported under the Public Law 480 program, must be delivered directly to the export vessel at a U. S. port." Several Senators expressed opposition to the proposed amendment, (pp. 15536-8).

FEDERAL CREDIT UNION ACT

AUGUST 25, 1959.—Ordered to be printed

Mr. SPARKMAN, from the Committee on Banking and Currency,
submitted the following

R E P O R T

[To accompany H.R. 8305]

The Committee on Banking and Currency to whom was referred the bill (H.R. 8305) to amend the Federal Credit Union Act, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

FEDERAL CREDIT UNIONS

Federal credit unions are cooperative associations organized in accordance with the Federal Credit Union Act "to promote thrift among their members and create a source of credit for provident and productive purposes." Membership is limited to a group of persons having a common bond of association, occupation, or residence. Federal credit unions are chartered, examined, and supervised by the Bureau of Federal Credit Unions. Members' shareholdings are not insured by any agency of the Government.

PURPOSE OF THE BILL

The bill, as amended, rewrites the Federal Credit Union Act of 1934. It incorporates a number of amendments. Some of these are designed only to clarify and modernize existing statute. Others are intended to increase the scope and efficiency of Federal credit union operations.

The substantive changes include the following:

1. An increase in the maximum maturity of loans from 3 to 5 years.
2. An increase in the unsecured loan limit from \$400 to \$750.
3. An authorization for Federal credit unions to cash and sell checks to members for a reasonable fee.
4. A liberalization of borrowing restrictions on Federal credit union officials.

5. Changes in the organizational and administrative provisions to make the operations of the Federal credit unions more efficient. These include—

(a) Appointment of supervisory committees by the board of directors. Under existing law these committees are now elected by the members.

(b) Appointment of one or more loan officers by the credit committee. The loan officer would be authorized to approve certain loans now requiring approval by the credit committee.

(c) Authorization to the board of directors to appoint an executive committee which could buy and sell securities, make loans to other credit unions, or approve applications for membership—functions now carried out by the full board of directors.

(d) Authorization to the board of directors to appoint a membership officer who might approve applications for membership.

6. Inclusion of Federal credit unions within the criminal laws prohibiting bank robbery and incidental crimes.

GENERAL STATEMENT

It was apparent to the committee that the rapid growth of Federal credit unions as shown in tables 1 and 2 had been accompanied by changing credit needs of consumers, changing loan patterns, and numerous complexities in credit union organization and management procedures. The amendments listed above are designed to adapt the credit union to these changes.

TABLE 1.—*Selected data on Federal credit union operations, as of Dec. 31, for each year 1935–58*¹

Year	Number of operating Federal credit unions	Number of members	Assets	Shares	Loans out- standing
1935.....	772	119,420	\$2,372,100	\$2,228,400	\$1,834,200
1936.....	1,751	309,700	9,158,100	8,510,900	7,343,800
1937.....	2,313	483,920	19,264,700	17,649,700	15,695,300
1938.....	2,760	632,050	29,629,000	26,876,100	23,830,100
1939.....	3,182	850,770	47,810,600	43,326,900	37,673,000
1940.....	3,756	1,127,940	72,530,200	65,805,800	55,818,300
1941.....	4,228	1,408,880	106,052,400	97,208,900	69,484,700
1942.....	4,145	1,356,940	119,591,400	109,822,200	43,052,500
1943.....	3,938	1,311,620	127,329,200	117,339,100	35,376,200
1944.....	3,815	1,306,000	144,365,400	133,677,400	34,438,400
1945.....	3,757	1,216,625	153,103,120	140,613,962	35,155,414
1946.....	3,761	1,302,132	173,166,459	159,718,040	56,800,937
1947.....	3,845	1,445,915	210,375,571	192,410,043	91,372,197
1948.....	4,058	1,628,339	258,411,736	235,008,368	137,642,327
1949.....	4,495	1,819,606	316,362,504	285,000,934	186,218,022
1950.....	4,984	2,126,823	405,834,976	361,924,778	263,735,838
1951.....	5,398	2,463,898	504,714,580	457,402,124	299,755,775
1952.....	5,925	2,853,241	662,408,869	597,374,117	415,062,315
1953.....	6,578	3,255,422	854,232,007	767,571,092	573,973,529
1954.....	7,227	3,598,790	1,033,179,042	931,407,456	681,970,336
1955.....	7,806	4,032,220	1,267,427,045	1,135,164,876	863,042,049
1956.....	8,350	4,502,210	1,529,201,927	1,366,258,073	1,049,188,549
1957.....	8,735	4,897,689	1,788,768,332	1,589,190,585	1,257,319,328
1958.....	9,030	5,209,912	2,034,866,575	1,812,017,273	1,379,723,727

¹ Data for 1935–44 on membership, assets, shares, and loans outstanding are partly estimated.

Source: Bureau of Federal Credit Unions, HEW, 1958 Annual Report.

TABLE 2.—*Savings of individuals in selected media at year end, 1935-58*

[In billions of dollars]

Year	Savings associa- tions ¹	Mutual savings banks	Commer- cial banks	Credit unions— Federal and State	Mutual funds	U.S. savings bonds	Postal savings	Total
1935.....	\$4.3	\$9.8	\$12.9	(2)	-----	\$0.2	\$1.2	\$28.4
1936.....	4.2	10.0	13.7	\$0.1	-----	.5	1.3	29.8
1937.....	4.1	10.1	14.4	.1	-----	1.0	1.3	31.0
1938.....	4.1	10.2	14.4	.1	-----	1.4	1.3	31.5
1939.....	4.1	10.5	14.9	.2	-----	1.9	1.3	32.9
1940.....	4.3	10.6	15.4	.2	\$1.1	2.8	1.3	35.7
1941.....	4.7	10.5	15.5	.3	.9	5.4	1.4	38.7
1942.....	4.9	10.6	16.1	.3	1.0	13.4	1.5	47.8
1943.....	5.5	11.7	19.0	.3	1.4	24.7	1.8	64.4
1944.....	6.3	13.3	23.9	.4	1.6	36.2	2.4	84.1
1945.....	7.4	15.3	29.9	.4	2.3	42.9	3.0	101.2
1946.....	8.5	16.8	33.4	.5	2.2	44.2	3.4	109.0
1947.....	9.8	17.7	34.7	.5	2.2	46.2	3.5	114.6
1948.....	11.0	18.4	35.0	.6	2.3	47.8	3.4	118.5
1949.....	12.5	19.3	35.1	.7	2.8	49.3	3.3	123.0
1950.....	14.0	20.0	35.2	.9	3.4	49.6	3.0	126.1
1951.....	16.1	20.9	36.6	1.1	4.1	49.1	2.8	130.7
1952.....	19.2	22.6	39.3	1.4	4.9	49.2	2.7	139.3
1953.....	22.8	24.3	42.0	1.7	5.1	49.4	2.5	147.8
1954.....	27.3	26.3	44.7	2.0	7.3	50.0	2.2	159.8
1955.....	32.2	28.1	46.3	2.4	9.0	50.2	2.0	170.2
1956.....	37.1	30.0	48.5	2.9	10.3	50.1	1.7	180.6
1957.....	41.9	31.7	53.7	3.4	9.9	48.2	1.4	190.2
1958.....	48.0	34.0	59.6	3.9	14.8	47.8	1.2	209.3

¹ Excludes shares pledged against mortgage loans.² Less than \$50,000,000.

Sources: Federal Home Loan Bank Board; National Association of Investment Companies.

COMMITTEE AMENDMENTS

As introduced, H.R. 8305 proposed an increase in the unsecured loan limit from \$400 to \$1,000. The committee, although approving the credit union movement and its growth, was of the opinion that large unsecured loans may expose the credit union to possible credit risks. After examining the testimony and the past record of increases in the unsecured loan limit, the committee came to the conclusion that an increase of the loan ceiling from \$400 to \$750 would amply correct for price-level changes and consumer loan requirements that have developed since 1949.

As introduced, H.R. 8305 provided that the Director of the Bureau of Federal Credit Unions "shall submit to the Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions." The committee felt that such a provision constituted a prejudgment of the issue of whether central credit unions are desirable. The establishment of central credit unions was urged by the Credit Union National Association, but opposed by the Bureau of Federal Credit Unions, the Treasury Department, and the Federal Reserve Board.

The committee decided that Congress needed a more thorough analysis of the nature and role of central credit unions in the structure of Federal credit unions. Accordingly, the committee amended H.R. 8305 (sec. 3) so as to require the Director of the Bureau of Federal Credit Unions "to make a study of the desirability of providing for federally chartered central credit unions," and to submit the results of such study to Congress on or before April 15, 1960.

SECTION-BY-SECTION ANALYSIS

LOAN MATURITY

Section 8(5) of the act as amended would raise the maximum maturity for loans by Federal credit unions from 3 years to 5 years, and would give the Bureau of Federal Credit Unions authority to regulate amortization of loans. This amendment would enable Federal credit unions to do a better job of meeting the demands of their members for various types of loans.

The Director of the Bureau of Federal Credit Unions testified that he had no objection to the extension of loan maturities, but pointed out that the key to proper liquidity and solvency is the systematic amortization of loan receivables. Section 8(5) gives authority to the Director to prescribe rules and regulations governing loan amortization, with the limitation that he may not require payments more frequently than annually.

LOANS TO DIRECTORS

Section 8(5) of the amended act would raise the limit on loans a Federal credit union may make to its directors and members of its supervisory committee or credit committee. The act now limits such loans to the amount of the shareholdings of the director or member concerned. The amendment raises the limit to cover, in addition, the amount of any shareholdings of any other member of the credit union that are pledged as security for the loan.

AUTHORITY TO CASH AND SELL CHECKS

Section 7(12) of the amended act would authorize a Federal credit union to cash and sell checks for a fee, as a service to members of the credit union. Under present law, cashing and selling checks is not authorized, except in connection with some other transaction the credit union has authority to carry out. The Director of the Bureau has ruled that Federal credit unions may not charge a fee for cashing or selling checks. Credit unions throughout the country had been engaged in this activity and the ruling has created considerable hardship. The activity, which is desired and requested by the members, results in certain direct and indirect costs. It is only fair and equitable that these costs should be borne by those directly availing themselves of the service rather than by the general membership. This authority is limited to members of the credit union.

SUPERVISORY COMMITTEE

Sections 12 and 16 of the amended act would make changes relating to the supervisory committee, one of the three bodies established by law to manage Federal credit unions. Under present law, the supervisory committee is elected by the members of the credit union; the bill would change this to provide for appointment by the credit union's board of directors, and would bar the treasurer of the credit union from serving on the supervisory committee. It would further provide the members of the supervisory committee may be suspended by the board of directors, subject to approval of the membership.

The board of directors has the responsibility for the general direction and control of the affairs of the credit union. The present law limits its ability to properly discharge this responsibility in instances where an elected supervisory committee is not functioning in an effective manner and in accordance with prescribed procedure. The recommended changes would allow for the appointment of qualified persons to the committee by the board and would charge the board with more direct responsibility for supervisory committee performance.

OFFICERS

Section 13 of the amended act would authorize election of one or more vice presidents of a Federal credit union (the present law authorizes only one); change the title of "clerk" to "secretary"; and provide that no executive officer other than the treasurer may be paid for his services (this conforms with existing practice). The authorization of additional vice presidents would be of particular significance to credit unions which require an additional cosignatory on checks. The amendment specifying that the executive officers other than the treasurer shall serve without pay would write into law a longstanding principle of credit union operations. This principle is now embodied in the standard bylaws, which must be approved by the Bureau.

DELEGATION OF FUNCTIONS OF BOARD OF DIRECTORS

Section 14 of the amended act would authorize the board of directors to appoint an executive committee of not less than three directors, to act for the board in buying and selling securities, making loans to other credit unions, or approving applications for membership. The function of approving membership applications could be delegated, instead, to a membership officer appointed by the board of directors from among the members of the credit union (excluding the treasurer or any assistant treasurer or loan officer). The board of directors usually meets only once a month. These changes would allow action more promptly in limited areas, where authorized by the board. Thus, credit unions could make their services and benefits available more quickly to applicants for membership, either by authorizing applications to be approved by the executive committee, or by appointing a membership officer for that purpose. Similarly, investments and loans to other credit unions could be handled more effectively under the amendment.

COMPENSATION FOR EMPLOYEES

Section 14 of the amended act would also authorize the board of directors to provide for compensation for loan officers (a new position created by sec. 15, explained below) and necessary clerical and auditing assistance requested by the supervisory committee. This would assist the supervisory committee to function more effectively. This committee, which is charged with the responsibility for making regular internal audits of the credit union, often requires outside assistance. Compensation for loan officers who would take some of the burden off the credit committee is based upon the same principle.

LOAN OFFICERS

Section 15 of the amended act would provide for appointment by the credit committee of one or more loan officers to approve loans up to the unsecured loan limit, or over the limit if the excess is fully secured by unpledged shares. Under present law all loans must be approved by the credit committee. This amendment would provide a realistic, practicable means of reducing the burden upon the credit committee in credit unions having a large and continually increasing volume of loan activity. Also, due to the fact that the committee, which is not compensated, is often scattered and finds it difficult to meet frequently and on short notice, proper consideration and prompt loan service in emergencies is not feasible. A loan officer would be in a position to move quickly in instances of this nature. The credit committee would be fully apprised of his activities since he would be required to furnish them with a record of all loan applications approved and of loan applications not approved within 7 days of such action. Loan applications not approved by the loan officer would be acted on by the credit committee. If it desired to do so, the credit committee could appoint the treasurer or an assistant treasurer as loan officer.

UNSECURED LOAN LIMIT

Section 15 of the amended act would raise the unsecured loan limit from \$400 to \$750. This change would allow credit unions to satisfy the consumer credit needs of the expanding credit union membership more effectively. Congress has progressively increased this limit from \$50 initially in the original act to \$100 in 1940, \$300 in 1946, and \$400 in 1949. The experience of Federal credit unions on loans of this type has been very good over the years, and it is felt that the rising cost of commodities and services, coupled with the progressive growth in knowledge on the part of credit unions of the character and financial responsibility of their members, warrants this increase in the signature loan limit.

DIVIDENDS

Section 18 of the amended act would authorize the board of directors to declare dividends (the law now requires action by the membership at the annual meeting); authorize semiannual dividends (now only annual dividends are allowed); and allow dividend credit for a month on shares paid up during the first 5 days of the month (now limited to shares paid up before month begins).

The function of declaring dividends should be placed in the body which is primarily responsible for the management and sound operation of the credit union. Also, it is in the best position to determine the size of the dividend which should be distributed, based upon its intimate knowledge of the organization's affairs and its current and future needs.

The current requirement that dividends be paid annually often penalizes members who are forced to withdraw shareholdings prior to the year end, thereby losing the dividend. Adoption of the alternate plan would be optional with each currently operating credit union and would require an appropriate amendment to the bylaws. Newly chartered credit unions would have an initial choice.

Dividend credit should be allowed for the month on the accounts of members who do not receive their compensation until the last day of the previous month or the first day of the current month and find it impractical to make share payments immediately. Dividend credit under the current law would not commence until the following month. The proposed amendment eliminates this inequity and provides an additional incentive for saving.

SPACE IN FEDERAL BUILDINGS

Section 25 of the amended act relates to use by State or Federal credit unions of space in Federal buildings. The law now authorizes allotment of available space without charge to credit unions composed entirely of Federal employees and their families. The bill would broaden this authority to cover credit unions 95 percent of whose members are Federal employees or were when admitted to membership, or are members of their families. This would allow credit unions to continue membership of retired Federal employees and members who leave Government service without jeopardizing the credit union's eligibility for space in Federal buildings. Also, it would allow such credit unions to continue their eligibility although membership is extended to a limited number of employees of private contractors working on Federal installations along with Federal employees, and to American Legion and Red Cross personnel working at veterans' hospitals, etc.

CONVERSIONS

Section 26 of the amended act covers conversion of credit unions from State to Federal charter and vice versa. Conversion from Federal to State charter would require the affirmative vote of a majority of the members, plus compliance with State procedures for obtaining a State charter. Conversion from State to Federal charter would require compliance with applicable State law and with the provisions of the Federal act. Under certain circumstances conversion of its charter may be deemed advisable by a credit union and acceptable to the supervisory agencies involved. Special authority appears warranted which would facilitate the procedure of converting a credit union from a Federal to a State charter and vice versa without dissipation of reserves or undue disruption of normal service to the credit union members.

TERRITORIAL APPLICABILITY

Section 27 of the amended act would provide that the Federal Credit Union Act shall apply to the several States, the District of Columbia, the Territories and possessions, the Canal Zone, and Puerto Rico. This would substitute a general statement for the existing provision which specifically covers the Canal Zone and the Virgin Islands. Thus, it would eliminate the need for future amendments of this type.

ROBBERY AND INCIDENTAL CRIMES

Section 2113 of title 18 of the United States Code now makes it a Federal offense to rob any bank or savings and loan chartered or insured by the Federal Government and any bank that is a member of the Federal Reserve System. The section also covers other inci-

dental crimes against such banks and savings and loan associations. Section 2 of the bill would amend this section to cover Federal credit unions, as well.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

NOTE.—Functions of the Farm Credit Administration and the Governor thereof were transferred to the Bureau of Farm Credit Unions and the Director thereof, respectively, under the jurisdiction of the Federal Security Agency, by act of June 29, 1948 (62 Stat. 1091). The Federal Security Agency was abolished and functions transferred to the Department of Health, Education, and Welfare by 1953 Reorganization Plan No. 1 (67 Stat. 632).

FEDERAL CREDIT UNION ACT

(12 U.S.C. 1751 et seq.)

SHORT TITLE

【That this】 *SECTION 1. This Act may be cited as the “Federal Credit Union Act.”*

DEFINITIONS

SEC. 2. 【A Federal credit union is hereby defined as a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes. When used in this Act the term “Bureau” means Bureau of Federal Credit Unions, and the term “Director” means the Director thereof.】 *As used in this Act—*

(1) *the term “Federal credit union” means a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes;*

(2) *the term “Bureau” means the Bureau of Federal Credit Unions; and*

(3) *the term “Director” means the Director of the Bureau of Federal Credit Unions.*

CREATION OF BUREAU

SEC. 3. *There shall be in the Department of Health, Education, and Welfare a Bureau of Federal Credit Unions, which shall be under the supervision of a Director appointed by the Secretary of Health, Education, and Welfare. The Bureau of Federal Credit Unions and the Director shall be under the general direction and supervision of the Secretary.*

FEDERAL CREDIT UNION ORGANIZATION

SEC. 【3.】 4. Any seven or more natural persons who desire to form a Federal credit union shall subscribe before some officer competent

to administer oaths an organization certificate in duplicate which shall specifically state—

- (1) **[The]** *the* name of the association **[.]**;
- (2) **[The]** *the* location of the proposed Federal credit union and the territory in which it will operate **[.]**;
- (3) **[The]** *the* names and addresses of the subscribers to the certificate and the number of shares subscribed by each **[.]**;
- (4) **[The]** *the* par value of the shares, which shall be \$5 each **[.]**;
- (5) **[The]** *the* proposed field of membership, specified in detail **[.]**;
- (6) **[The]** *the* term of the existence of the corporation, which may be perpetual **[.]**; and
- (7) **[The]** *the* fact that the certificate is made to enable such persons to avail themselves of the advantages of this Act.

Such organization certificate may also contain any provisions approved by the Director for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders.

APPROVAL OF ORGANIZATION CERTIFICATE

SEC. **[4.]** 5. **[Any such]** *The* organization certificate shall be presented to the Director for approval. **[Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all the liabilities conferred and imposed by this Act upon corporations organized hereunder.]** Before any organization certificate is approved, an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this Act; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Director, it shall be the charter of the corporation, and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. *Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all the liabilities conferred and imposed by this Act upon corporations organized hereunder.*

FEEs

SEC. **[5.]** 6. For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved, the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Director, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. Not later than January 31 of each calendar year, each Federal credit union shall pay to the Bureau **[of Federal Credit Union]**, for the preceding calendar year, a supervision fee in accordance with a graduated scale prescribed by regulation on the basis of assets as of December 31 of such preceding year, but such fee shall in no event be less

than \$10 nor [(subject to such minimum)] more than the [amounts] applicable amount specified in the following table:

Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000-----	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000-----	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000-----	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

[*Provided, however, That no such annual fee shall be payable by such an organization with respect to the year in which its charter is issued, or the year in which final distribution is made in liquidation of the credit union or the charter is otherwise canceled.*] All such fees shall be deposited with the Treasurer of the United States for the account of the Bureau and may be expended by the Director for such [administrative and] *administrative, supervisory, and other expenses incurred in carrying out the provisions [hereof] of this Act as he may determine to be proper, the purpose of such fees being to defray [as far as practicable, the administrative and supervisory costs incident to the carrying out of this Act] such expenses as far as practicable. No annual supervision fee shall be payable by a Federal credit union with respect to the year in which its charter is issued, or in which final distribution is made in its liquidation or the charter is otherwise canceled.*

REPORTS AND EXAMINATIONS

SEC. [6.] 7. Federal credit unions shall be under the supervision of the Director, and shall make [such] financial reports to him [(at least annually) as he may require] *as and when he may require, but at least annually.* Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to, any person designated by the Director. The Director shall fix a scale of examination fees to be paid by Federal credit unions, giving due consideration to the time and expense incident to such examinations, and to the ability of Federal credit unions to pay such fees, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of such examination. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section [5] 6, and shall be available for the purposes specified in [said section 5] *such section.*

POWERS

SEC. [7.] 8. A Federal credit union shall have succession in its corporate name during its existence and shall have power—

- (1) [To] *to make contracts[.];*
- (2) [To] *to sue and be sued[.];*
- (3) [To] *to adopt and use a common seal and alter the same at pleasure[.];*
- (4) [To] *to purchase, hold, and dispose of property necessary [and] or incidental to its operations[.];*
- (5) [To] *to make loans with maturities not exceeding [three] five years to its members for provident or productive purposes*

upon such terms and conditions as this Act and [the] its bylaws provide and as the credit committee or a loan officer may approve, at rates of interest not exceeding 1 per centum per month on unpaid [balances (inclusive)] *balances, inclusive* of all charges incident to making the loans; []: *Provided, That* [] *except that* no loans to a director [, officer,] or member of [a] *the supervisory or credit* committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof *plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member.* No director [, officer, or committee member] *or member of the supervisory or credit committee* shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this [subsection] *paragraph*, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. [In case the greater rate of interest] *If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest [thus paid from the credit union taking or receiving the same: Provided, That] paid: but such action must be commenced within two years from the time the usurious [trans-*action occurred.] *collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Director after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such other factors as the Director deems relevant, but such rules and regulations shall not require payments more frequently than annually;*

(6) [To] *to receive from its members payments on shares [.]*;

(7) [To] *to invest its funds [(a)] (A) in loans exclusively to members; [(b)] (B) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; [(c)] (C) in accordance with rules and regulations prescribed by the Director, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; [(d)] or (D) in shares or accounts of [Federal] savings and loan associations, [and in shares or accounts of any other institution] the accounts of which are insured by the Federal Savings and Loan Insurance Corporation[.]*;

(8) [To] *to make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business [.]*;

(9) [To] *to borrow [(from any source)] in accordance with such rules and regulations as may be prescribed by the Director, from any source, in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: Provided, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital*

[subject to such rules and regulations as may be prescribed by the Director.];

(10) [To] to [fine members] *levy late charges*, in accordance with the bylaws, for failure of *members* to meet promptly their obligations to the Federal credit union [.] ;

(11) [To] to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or [fines] *charges* payable by him [.] ;

(12) *in accordance with rules and regulations prescribed by the Director, to sell to members negotiable checks (including travelers checks) and money orders, and to cash checks and money orders for members, for a fee which does not exceed the direct and indirect costs incident to providing such service; and*

[(12)] (13) [To] to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

BYLAWS

SEC. [8.] 9. In order to simplify the organization of Federal credit unions the Director shall [, upon the passage of this Act,] *from time to time* cause to be prepared a form of organization certificate and a form of bylaws, consistent with this Act, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Director for his approval.

MEMBERSHIP

SEC. [9.] 10. Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Director, as may be elected to membership and as *such* shall each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that Federal credit union membership shall be limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. Shares may be issued in joint tenancy with right of survivorship with any [person] *persons* designated by the credit union member, but no joint tenant shall be permitted to vote, obtain loans, or hold office, unless he is within the field of membership and is a qualified member.

MEMBERS' MEETINGS

SEC. [10.] 11. The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote.

MANAGEMENT

SEC. [11.] 12. [(a)] The business affairs of a Federal credit union shall be managed by a board of not less than five directors, *and* a credit committee of not less than three members, [and a supervisory committee of three members (a majority of whom shall not be directors) all to be elected by the members (and from their number) at their annual meeting, and to hold office for such terms, respectively, as the bylaws may provide.] *all to be elected at the annual members' meeting by and from the members, and by a supervisory committee of three members, one of whom may be a director other than the treasurer, to be appointed by the board. Any vacancy occurring in the supervisory committee shall be filled in the same manner as original appointments to such committee. All members of the board and of such committees shall hold office for such terms, respectively, as the bylaws may provide.* A record of the names and addresses of the members of the board and such committees and of the officers of the credit union shall be filed with the Bureau within 10 days after their election or appointment. No member of the board or of either such committee shall, as such, be compensated.

OFFICERS

[(b)] SEC. 13. At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, [a vice president, a clerk,] *one or more vice presidents, a secretary, and a treasurer, who shall be the executive officers of the corporation [and may be compensated for their services to such extent as the bylaws may provide]. No executive officer, except the treasurer, shall be compensated as such.* The offices of [clerk] *secretary* and treasurer may be held by the same person. The duties of the officers shall be as determined by the bylaws, except that the treasurer shall be the general manager of the corporation. Before the treasurer shall enter upon his duties he shall give bond with good and sufficient surety, in an amount and character to be determined [from time to time] by the board of directors in compliance with regulations prescribed[,] from time to time[,] by the Director, conditioned upon the faithful performance of his trust.

DIRECTORS

[(c)] SEC. 14. The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things they shall act upon applications for membership; require any officer or employee having custody of or handling funds to give bond with good and sufficient surety in an amount and character to be determined [from time to time] by the board of directors in compliance with regulations prescribed [,] from time to time [,] by the Director, and authorize the payment of the premium or premiums therefor from the funds of the Federal credit union; [recommend the declaration of dividends;] fill vacancies in the board and in the credit committee until successors elected at the next annual meeting have qualified; have charge of investments other than loans to members; determine from time to time the maximum number of shares that may be held by [any] *an individual; subject to the*

limitations of this Act, determine the interest rates on loans and the maximum amount [that] which may be loaned with or without security to any member; [and,] subject to such regulations as may be issued by the Director, authorize an interest refund to members of record at the close of business on December 31 in proportion to the interest paid by them during [the] that year; and provide for compensation of necessary clerical and auditing assistance requested by the supervisory committee, and of loan officers appointed by the credit committee. The board may appoint an executive committee of not less than three directors to act for it in the purchase and sales of securities or the making of loans to other credit unions, or both. Such executive committee or a membership officer appointed by the board from among the members of the credit union, other than the treasurer, an assistant treasurer, or a loan officer, may be authorized by the board to approve applications for membership under such conditions as the board may prescribe; except that such committee or membership officer so authorized shall submit to the board at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require.

CREDIT COMMITTEE

[(d)] SEC. 15. The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month [(of which meetings due notice shall be given to members of the committee)] to consider applications for loans. Reasonable notice of such meetings shall be given to all members of the committee. No loan shall be made unless it is approved by a majority of the entire committee and by all [of the] members of the committee who are present at the meeting at which the application is considered; except that the credit committee may appoint one or more loan officers, and delegate to him or them the power to approve loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the credit committee. No individual shall have authority to disburse funds of the Federal credit union for any loan which has been approved by him in his capacity as a loan officer. Not more than one member of the credit committee may be appointed as a loan officer. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan shall be made to any member which [shall cause] causes such member to become indebted to the Federal credit union in [the aggregate, upon loans made to such member, in excess of \$200 or 10 per centum of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater, or in excess of \$400 unless such excess over \$400 is adequately secured.] an aggregate amount, upon loans made to such member, which is in excess of \$200 or 10 per centum of the credit union's paid-in-unimpaired capital and surplus, whichever is greater, or in excess of \$750 unless such excess over \$750 is adequately secured. For the purposes of this [subdivision] section an assignment of shares or the endorsement of a note shall be deemed security.

SUPERVISORY COMMITTEE

[(e)] *Sec. 16.* The supervisory committee shall make [.] or cause to be made, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; *shall make or cause to be made a report of its quarterly examination to the board of directors; shall make or cause to be made an annual audit, [and a report to be submitted] a report of which shall be submitted to the members at the next annual meeting of the corporation; [*, by a unanimous vote, may suspend*] may suspend by a unanimous vote any officer of the corporation[,]* or any member of the credit committee or of the board of directors, until the next members' meeting, which [said] members' meeting[, however,] shall be held [within seven days of said suspension and at which meeting said] not less than seven nor more than fourteen days after such suspension and at which meeting such suspension shall be acted upon by the members; and[, by a majority vote,] may call *by a majority vote* a special meeting of the shareholders to consider any violation of this Act, the charter, or [of] the bylaws, or any practice of the corporation deemed by the supervisory committee to be unsafe or unauthorized. [The said committee shall fill vacancies in its own membership until successors to be elected at the next annual meeting have qualified.] *Any member of the supervisory committee may be suspended by the board of directors. The members shall decide, at a meeting held not less than seven nor more than fourteen days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee. The supervisory committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once very two years. As used in this [subsection] section, the term "passbook" shall include any book, statement of account, or other record approved by the Director for use by Federal credit unions.*

RESERVES

[SEC. 12 RESERVES.—] *SEC. 17.* All entrance fees and [fines] charges provided by the bylaws and 20 per centum of the net earnings of each [year] dividend period, before the declaration of any [dividend] dividends, shall be set aside as a regular reserve against losses on bad loans and such other losses as may be specified in the bylaws in accordance with regulations prescribed under this Act: *Provided, however,* That when the regular reserve thus established shall equal 10 per centum of the total amount of members' shareholdings, no further transfer of net earnings to such regular reserve shall be required except that such amounts not in excess of 20 per centum of the net earnings as may be needed to maintain this 10 per centum ratio shall continue to be transferred. In addition to such regular reserve, special reserves to protect the interests of members shall be established when required [(a)] (1) by regulation, or [(b)] (2) in any special case, when found by the [director] Director to be necessary for that purpose.

DIVIDENDS

SEC. [13] 18. [At the annual meeting a dividend may be declared from the remaining net earnings on recommendation of the board of directors, which dividend shall be paid on all paid-up shares outstanding at the end of the preceding fiscal year.] *Annually or semiannually, as the bylaws may provide, and after provision for the required reserves, the board of directors may declare a dividend to be paid from the remaining net earnings. Such dividend shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during such [year] dividend period and are outstanding at the close of the period shall be entitled to a proportional part of [said] such dividend [calculated from the 1st day of the month following such payment in full]. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first five days of that month.*

EXPULSION AND WITHDRAWAL

SEC. [14] 19. A member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after an opportunity has been given him to be heard. Withdrawal or expulsion of a member shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in the manner specified in the bylaws.

MINORS

SEC. [15] 20. Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. [The] *When shares are issued in trust, the name of the beneficiary shall be disclosed to the Federal credit union.*

CERTAIN POWERS OF DIRECTOR

SEC. [16] 21. (a) The Director may prescribe rules and regulations for the administration of this Act (including, but not by way of limitation, the merger, consolidation, [and/or] and dissolution of corporations organized under this Act).

(b) (1) The Director may suspend or revoke the charter of any Federal credit union, or place the same in involuntary liquidation and appoint a liquidating agent therefor, upon his finding that the organization is bankrupt or insolvent, or has violated any of the provisions of its charter, its bylaws, [or of this chapter] *this Act*, or [of] any regulations issued thereunder.

(2) The Director, through such persons as he shall designate, may examine any Federal credit union in voluntary liquidation and, upon his finding that such voluntary liquidation is not being conducted in an orderly or efficient manner or in the best interests of its members, may terminate such voluntary liquidation and place such organization in involuntary liquidation and appoint a liquidating agent therefor.

(3) Such liquidating agent shall have power and authority, subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, [(i)] (A) to receive and take

possession of the books, records, assets, and property of every description of the Federal credit union in liquidation, to sell, enforce collection of, and liquidate all such assets and property, to compound all bad or doubtful debts, and to sue in his own name or in the name of the Federal credit union in liquidation, and defend such actions as may be brought against him as liquidating agent or against the Federal credit union; [(ii)] (B) to receive, examine, and pass upon all claims against the Federal credit union in liquidation, including claims of members on shares; [(iii)] (C) to make distribution and payment to creditors and members as their interests may appear; and [(iv)] (D) to execute such documents and papers and to do such other acts and things which he may deem necessary or desirable to discharge his duties hereunder.

(4) Subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, the liquidating agent of a Federal credit union in involuntary liquidation shall [(i)] (A) cause notice to be given to creditors and members to present their claims and make legal proof thereof, which notice shall be published once a week in each of three successive weeks in a newspaper of general circulation in each county in which the Federal credit union in liquidation maintained an office or branch for the transaction of business on the date it ceased unrestricted operations[: *Provided, That*]; *except that* whenever the aggregate book value of the assets and property of a Federal credit union in involuntary liquidation is less than \$1,000, unless the Director shall find that its books and records do not contain a true and accurate record of its liabilities, he shall declare such Federal credit union in liquidation to be a "no publication" liquidation, and publication of notice to creditors and members shall not be required in such case; [(ii)] (B) from time to time make a ratable dividend on all such claims as may have been proved to his satisfaction or adjudicated in a court of competent jurisdiction and, after the assets of such organization have been liquidated, [shall] make further dividends on all claims previously proved or adjudicated[: and the liquidating agent], *and he* may accept in lieu of a formal proof of claim on behalf of any creditor or member the statement of any amount due to such creditor or member as shown on the books and records of the credit union[: *Provided, That*]; *but* all claims not filed before payment of the final dividend shall be barred and claims rejected or disallowed by the liquidating agent shall be likewise barred unless suit be instituted thereon within three months after notice of rejection or disallowance; [(iii)] and (C) in a "no publication" liquidation, determine from all sources available to him, and within the limits of available funds of the Federal credit union, the amounts due to creditors and members, and after sixty days shall have elapsed from the date of his appointment[: shall] distribute the funds of the Federal credit union to creditors and members ratably and as their interests may appear.

(5) Upon certification by the liquidating agent in the case of an involuntary liquidation, and upon such proof as shall be satisfactory to the Director in the case of a voluntary liquidation, that distribution has been made and that liquidation has been completed, as provided herein, the Director shall cancel the charter of such Federal credit union[: *Provided, That*]; *but* the corporate existence of the Federal credit union shall continue for a period of three years from the date of

such cancellation of its charter, during which period the liquidating agent, or his duly appointed successor, or such persons as the Director shall designate, may act on behalf of the Federal credit union for the purpose of paying, satisfying, and discharging any existing liabilities or obligations, collecting and distributing its assets, and doing all other acts required to adjust and wind up its business and affairs, and it may sue and be sued in its corporate name.

[(b)] (c) After the expiration of five years from the date of cancellation of the charter of a Federal credit union the Director may, in his discretion, destroy any or all books and records of such Federal credit union in his possession or under his control.

[(c)] (d) The Director is [hereby] authorized and empowered to execute any and all functions and perform any and all duties vested in him hereby, through such persons as he shall designate or employ; and he may delegate to any person or persons, including any institution operating under the general supervision of the Bureau, the performance and discharge of any authority, power, or function vested in him by this Act.

[(d)] (e) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Director.

[(e)] (f) The Director is [hereby] authorized to make investigations and to conduct researches and studies of the problems of persons of small means in obtaining credit at reasonable rates of interest, and of the methods and benefits of cooperative saving and lending among such persons. He is further authorized to make reports of such investigations and to publish and disseminate the same.

[(f)] (g) Any officer or employee of the Bureau [of Federal Credit Unions] is authorized, when designated for the purpose by the Director [of the Bureau of Federal Credit Unions], to administer oaths and affirmations and to take affidavits and depositions touching upon any matter within the jurisdiction of the Bureau [of Federal Credit Unions].

[(g)] (h) The Director [of the Bureau of Federal Credit Unions] is authorized, empowered, and directed to require that every person appointed or elected by any Federal credit union to any position requiring the receipt, [payment or] *payment*, or custody of money or other personal property owned by a Federal credit [union or] *union*, or in its custody or control as collateral or otherwise, [to] give bond in a corporate surety company holding a certificate of authority from the Secretary of the Treasury under the Act [of Congress] approved July 30, 1947 (6 U.S.C. sec. 6-13), as an acceptable surety on Federal bonds. Any such bond or bonds shall be in a form approved by the Director with a view to providing surety coverage to the Federal credit union with reference to loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful [abstraction or] *abstraction*, or misapplication on the part of the person directly or through connivance with others, and such other surety coverages as the Director may determine to be reasonably appropriate or as elsewhere required by this [chapter] Act. Any such bond or bonds shall be in *such* an amount in relation to the money or other personal property involved or in relation to the assets of the Federal credit union as the Director may from time to time prescribe by regulation for the purpose of requiring reasonable cover-

age. In lieu of individual bonds the Director may approve the use of a form of schedule or blanket bond which covers all of the officers and employees of a Federal credit union whose duties include the receipt, payment, or custody of money or other personal property for or on behalf of the Federal credit union. The Director may also approve the use of a form of excess coverage bond whereby a Federal credit union may obtain an amount of coverage in excess of the basic surety coverage.

FISCAL AGENTS AND DEPOSITORIES

[SEC. 17.] *SEC. 22.* Each Federal credit union organized under this Act, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States, including the issue, sale, **[redemption or]** *redemption*, or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes the Director shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this Act, when designated for that purpose by the Secretary of the Treasury shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury.

TAXATION

[SEC. 18.] *SEC. 23.* The Federal credit unions organized hereunder, their property, their franchises, capital, reserves, surpluses, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such Federal credit unions shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. Nothing herein contained shall prevent holdings in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders thereof in assessing taxes imposed by authority of the State or political subdivision thereof in which the Federal credit union is located**[:** *Provided, however, That*]; *but* the duty or burden of collecting or enforcing the payment of such a tax shall not be imposed upon any such Federal credit union and the tax shall not exceed the rate of taxes imposed upon holdings in domestic credit unions.

[SEC. 19.] Not to exceed \$50,000 of the fund available to the Director under section 4 of the Act of March 3, 1932, for expenses of administration in connection with loans made thereunder to aid in the establishment of agricultural credit corporations, is hereby made available also for administrative expenses in administering this Act.]

PARTIAL INVALIDITY; RIGHT TO AMEND

[SEC. 20.] SEC. 24. (a) If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such **[provisions]** *provision* to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this Act or any part thereof, or any charter issued pursuant to the provisions of this Act, is expressly reserved.

SPACE IN FEDERAL BUILDINGS

[SEC. 21.] SEC. 25. Upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this Act, *at least 95 per centum of the membership of which is composed* **[exclusively]** *of persons who either are presently Federal employees or were Federal employees at the time of admission into the credit union*, and members of their families, which application shall be addressed to the officer or agency of the United States charged with the allotment of space in the Federal buildings in the community or district in which **[said]** *such credit union* **[or Federal credit union]** does business, such officer or agency may in his or its discretion allot space to such credit union if space is available without charge for rent or services.

CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND FROM STATE TO FEDERAL CREDIT UNION

SEC. 26. (a) *A Federal credit union may be converted into a State credit union under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, by complying with the following requirements:*

(1) *The proposition for such conversion shall first be approved, and a date set for a vote thereon by the members (either at a meeting to be held on such date or by written ballot to be filed on or before such date), by a majority of the directors of the Federal credit union. Written notice of the proposition and of the date set for the vote shall then be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. Approval of the proposition for conversion shall be by the affirmative vote of a majority of the members, in person or in writing.*

(2) *A statement of the results of the vote, verified by the affidavits of the president or vice president and the secretary, shall be filed with the Bureau within ten days after the vote is taken.*

(3) *Promptly after the vote is taken and in no event later than ninety days thereafter, if the proposition for conversion was approved by such vote, the credit union shall take such action as may be necessary under the applicable State law to make it a State credit union, and within ten days after receipt of the State credit union charter there shall be filed with the Bureau a copy of the charter thus issued. Upon such filing the credit union shall cease to be a Federal credit union.*

(4) *Upon ceasing to be a Federal credit union, such credit union shall no longer be subject to any of the provisions of this Act. The successor*

State credit unions shall be vested with all of the assets and shall continue responsible for all of the obligations of the Federal credit union to the same extent as though the conversion had not taken place.

(b)(1) *A State credit union, organized under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, may be converted into a Federal credit union by (A) complying with all State requirements requisite to enabling it to convert to a Federal credit union or to cease being a State credit union, (B) filing with the Bureau proof of such compliance, satisfactory to the Director, and (C) filing with the Bureau an organization certificate as required by this Act.*

(2) *When the Director has been satisfied that all of such requirements, and all other requirements of this Act, have been complied with, the Director shall approve the organization certificate. Upon such approval, the State credit union shall become a Federal credit union as of the date it ceases to be a State credit union. The Federal credit union shall be vested with all the assets and shall continue responsible for all of the obligations of the State credit union to the same extent as though the conversion had not taken place.*

TERRITORIAL APPLICABILITY OF ACT

[SEC. 22] SEC. 27. *["The provisions of this Act shall be extended to and include the Panama Canal Zone, and the Virgin Islands."] The provisions of this Act shall apply to the several States, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico.*

SECTION 2113 OF TITLE 18 OF THE UNITED STATES CODE

§ 2113. Bank robbery and incidental crimes.

(a) *Whoever, by force and violence, or by intimidation, takes, or attempts to take, from the person or presence of another any property or money or any other thing of value belonging to, or in the care, custody, control, management, or possession of, any bank, or any savings and loan association; or*

Whoever enters or attempts to enter any bank, or any savings and loan association, or any building used in whole or in part as a bank, or as a savings and loan association, with intent to commit in such bank, or in such savings and loan association, or building, or part thereof, so used, any felony affecting such bank or such savings and loan association and in violation of any statute of the United States, or any larceny—

Shall be fined not more than \$5,000 or imprisoned not more than twenty years, or both.

(b) *Whoever takes and carries away, with intent to steal or purloin, any property or money or any other thing of value exceeding \$100 belonging to, or in the care, custody, control, management, or possession of any bank, or any savings and loan association, shall be fined not more than \$5,000 or imprisoned not more than ten years, or both; or*

Whoever takes and carries away, with intent to steal or purloin, any property or money or any other thing of value not exceeding \$100

belonging to, or in the care, custody, control, management, or possession of any bank, or any savings and loan association, shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

(c) Whoever receives, possesses, conceals, stores, barter, sells, or disposes of, any property or money or other thing of value knowing the same to have been taken from a bank, or a savings and loan association, in violation of subsection (b) of this section shall be subject to the punishment provided by said subsection (b) for the taker.

(d) Whoever, in committing, or in attempting to commit, any offense defined in subsections (a) and (b) of this section, assaults any person, or puts in jeopardy the life of any person by the use of a dangerous weapon or device, shall be fined not more than \$10,000 or imprisoned not more than twenty-five years, or both.

(e) Whoever, in committing any offense defined in this section, or in avoiding or attempting to avoid apprehension for the commission of such offense, or in freeing himself or attempting to free himself from arrest or confinement for such offense, kills any person, or forces any person to accompany him without the consent of such person, shall be imprisoned not less than ten years, or punished by death if the verdict of the jury shall so direct.

(f) As used in this section the term "bank" means any member bank of the Federal Reserve System, and any bank, banking association, trust company, savings bank, or other banking institution organized or operating under the laws of the United States, and any bank the deposits of which are insured by the Federal Deposit Insurance Corporation.

(g) As used in this section the term "savings and loan association" means any Federal savings and loan association and any "insured institution" as defined in section 401 of the National Housing Act, as amended, and any "*Federal credit union*" as defined in section 2 of the *Federal Credit Union Act*.



H. R. 8305

[Report No. 814]

IN THE SENATE OF THE UNITED STATES

AUGUST 1, 1959

Received

AUGUST 3, 1959

Read twice and referred to the Committee on Banking and Currency

AUGUST 25, 1959

Reported by Mr. SPARKMAN, with amendments

[Omit the part struck through and insert the part printed in italic]

AN ACT

To amend the Federal Credit Union Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Federal Credit Union Act (48 Stat. 1216; 12
4 U.S.C., secs. 1751-1772) is amended to read as follows:

5 “SHORT TITLE

6 “SECTION 1. This Act may be cited as the ‘Federal
7 Credit Union Act’.

8 “DEFINITIONS

9 “SEC. 2. As used in this Act—

10 “(1) the term ‘Federal credit union’ means a
11 cooperative association organized in accordance with the

1 provisions of this Act for the purpose of promoting thrift
 2 among its members and creating a source of credit for
 3 provident or productive purposes;

4 “(2) the term ‘Bureau’ means the Bureau of Fed-
 5 eral Credit Unions; and

6 “(3) the term ‘Director’ means the Director of
 7 the Bureau of Federal Credit Unions.

8 “CREATION OF BUREAU

9 “SEC. 3. There shall be in the Department of Health,
 10 Education, and Welfare a Bureau of Federal Credit Unions,
 11 which shall be under the supervision of a Director appointed
 12 by the Secretary of Health, Education, and Welfare. The
 13 Bureau of Federal Credit Unions and the Director shall be
 14 under the general direction and supervision of the Secretary.

15 “FEDERAL CREDIT UNION ORGANIZATION

16 “SEC. 4. Any seven or more natural persons who desire
 17 to form a Federal credit union shall subscribe before some
 18 officer competent to administer oaths an organization certifi-
 19 cate in duplicate which shall specifically state—

20 “(1) the name of the association;

21 “(2) the location of the proposed Federal credit
 22 union and the territory in which it will operate;

23 “(3) the names and addresses of the subscribers to
 24 the certificate and the number of shares subscribed by
 25 each:

1 “(4) the par value of the shares, which shall be \$5
2 each;

3 “(5) the proposed field of membership, specified in
4 detail;

5 “(6) the term of the existence of the corporation,
6 which may be perpetual; and

7 “(7) the fact that the certificate is made to enable
8 such persons to avail themselves of the advantages of
9 this Act.

10 Such organization certificate may also contain any pro-
11 visions approved by the Director for the management of the
12 business of the association and for the conduct of its affairs
13 and relative to the powers of its directors, officers, or stock-
14 holders.

15 “APPROVAL OF ORGANIZATION CERTIFICATE

16 “SEC. 5. The organization certificate shall be presented
17 to the Director for approval. Before any organization cer-
18 tificate is approved, an appropriate investigation shall be
19 made for the purpose of determining (1) whether the or-
20 ganization certificate conforms to the provisions of this Act;
21 (2) the general character and fitness of the subscribers
22 thereto; and (3) the economic advisability of establishing
23 the proposed Federal credit union. Upon approval of such
24 organization certificate by the Director it shall be the char-
25 ter of the corporation, and one of the originals thereof shall

1 be delivered to the corporation after the payment of the fee
 2 required therefor. Upon such approval the Federal credit
 3 union shall be a body corporate and as such, subject to the
 4 limitations herein contained, shall be vested with all of the
 5 powers and charged with all of the liabilities conferred and
 6 imposed by this Act upon corporations organized hereunder.

7 "FEES

8 "SEC. 6. For the purpose of paying the costs incident
 9 to the ascertainment of whether an organization certificate
 10 should be approved, the subscribers to any such certificate
 11 shall pay, at the time of filing their organization certificate,
 12 the amount prescribed by the Director, which shall not
 13 exceed \$20 in any case; and on the approval of any
 14 organization certificate they shall also pay a fee of \$5. Not
 15 later than January 31 of each calendar year, each Federal
 16 credit union shall pay to the Bureau, for the preceding
 17 calendar year, a supervision fee in accordance with a grad-
 18 uated scale prescribed by regulation on the basis of assets
 19 as of December 31 of such preceding year, but such fee
 20 shall in no event be less than \$10 nor more than the appli-
 21 cable amount specified in the following table:

"Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000----	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000--	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000--	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

1 All such fees shall be deposited with the Treasurer of the
2 United States for the account of the Bureau and may be
3 expended by the Director for such administrative, super-
4 visory, and other expenses incurred in carrying out the pro-
5 visions of this Act as he may determine to be proper, the
6 purpose of such fees being to defray such expenses as far
7 as practicable. No annual supervision fee shall be payable
8 by a Federal credit union with respect to the year in which
9 its charter is issued, or in which final distribution is made
10 in its liquidation or the charter is otherwise canceled.

11 "REPORTS AND EXAMINATIONS

12 "SEC. 7. Federal credit unions shall be under the
13 supervision of the Director, and shall make financial reports
14 to him as and when he may require, but at least annually.
15 Each Federal credit union shall be subject to examination
16 by, and for this purpose shall make its books and records
17 accessible to, any person designated by the Director. The
18 Director shall fix a scale of examination fees to be paid
19 by Federal credit unions, giving due consideration to the
20 time and expense incident to such examinations, and to
21 the ability of Federal credit unions to pay such fees, which
22 fees shall be assessed against and paid by each Federal
23 credit union promptly after the completion of such exami-
24 nation. Examination fees collected under the provisions of
25 this section shall be deposited to the credit of the special

1 fund created by section 6, and shall be available for the
2 purposes specified in such section.

3 "POWERS

4 "SEC. 8. A Federal credit union shall have succession
5 in its corporate name during its existence and shall have
6 power—

7 " (1) to make contracts;

8 " (2) to sue and be sued;

9 " (3) to adopt and use a common seal and alter
10 the same at pleasure;

11 " (4) to purchase, hold, and dispose of property
12 necessary or incidental to its operations;

13 " (5) to make loans with maturities not exceeding
14 five years to its members for provident or productive
15 purposes upon such terms and conditions as this Act
16 and its bylaws provide and as the credit committee or
17 a loan officer may approve, at rates of interest not ex-
18 ceeding 1 per centum per month on unpaid balances,
19 inclusive of all charges incident to making the loan;
20 except that no loans to a director or member of the
21 supervisory or credit committee shall exceed the amount
22 of his holdings in the Federal credit union as represented
23 by shares thereof plus the total unencumbered and un-

pledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member. No director or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this paragraph, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Director after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such

1 other factors as the Director deems relevant, but such
2 rules and regulations shall not require payments more
3 frequently than annually;

4 “(6) to receive from its members payments on
5 shares;

6 “(7) to invest its funds (A) in loans exclusively
7 to members; (B) in obligations of the United States of
8 America, or securities fully guaranteed as to principal
9 and interest thereby; (C) in accordance with rules and
10 regulations prescribed by the Director, in loans to other
11 credit unions in the total amount not exceeding 25 per
12 centum of its paid-in and unimpaired capital and sur-
13 plus; or (D) in shares or accounts of savings and loan
14 associations, the accounts of which are insured by the
15 Federal Savings and Loan Insurance Corporation;

16 “(8) to make deposits in national banks and in
17 State banks, trust companies, and mutual savings banks
18 operating in accordance with the laws of the State in
19 which the Federal credit union does business;

20 “(9) to borrow, in accordance with such rules and
21 regulations as may be prescribed by the Director, from
22 any source, in an aggregate amount not exceeding 50
23 per centum of its paid-in and unimpaired capital and
24 surplus: *Provided*, That any Federal credit union may
25 discount with or sell to any Federal intermediate credit

1 bank any eligible obligations up to the amount of its
2 paid-in and unimpaired capital;

3 “(10) to levy late charges, in accordance with the
4 bylaws, for failure of members to meet promptly their
5 obligations to the Federal credit union;

6 “(11) to impress and enforce a lien upon the shares
7 and dividends of any member, to the extent of any loan
8 made to him and any dues or charges payable by him;

9 “(12) in accordance with rules and regulations pre-
10 scribed by the Director, to sell to members negotiable
11 checks (including travelers checks) and money orders,
12 and to cash checks and money orders for members, for
13 a fee which does not exceed the direct and indirect costs
14 incident to providing such service; and

15 “(13) to exercise such incidental powers as shall
16 be necessary or requisite to enable it to carry on
17 effectively the business for which it is incorporated.

18 “BYLAWS

19 “SEC. 9. In order to simplify the organization of Fed-
20 eral credit unions the Director shall from time to time cause
21 to be prepared a form of organization certificate and a form
22 of bylaws, consistent with this Act, which shall be used by
23 Federal credit union incorporators, and shall be supplied to
24 them on request. At the time of presenting the organization

1 certificate the incorporators shall also submit proposed by-
2 laws to the Director for his approval.

3 "MEMBERSHIP

4 "SEC. 10. Federal credit union membership shall con-
5 sist of the incorporators and such other persons and incor-
6 porated and unincorporated organizations, to the extent
7 permitted by rules and regulations prescribed by the Di-
8 rector, as may be elected to membership and as such shall.
9 each, subscribe to at least one share of its stock and pay the
10 initial installment thereon and the entrance fee; except that
11 Federal credit union membership shall be limited to groups
12 having a common bond of occupation or association, or to
13 groups within a well-defined neighborhood, community, or
14 rural district. Shares may be issued in joint tenancy with
15 right of survivorship with any persons designated by the
16 credit union member, but no joint tenant shall be permitted
17 to vote, obtain loans, or hold office, unless he is within the
18 field of membership and is a qualified member.

19 "MEMBERS' MEETINGS

20 "SEC. 11. The fiscal year of all Federal credit unions
21 shall end December 31. The annual meeting of each Fed-
22 eral credit union shall be held at such time during the month
23 of the following January and at such place as its bylaws shall
24 prescribe. Special meetings may be held in the manner
25 indicated in the bylaws. No member shall be entitled to

1 vote by proxy, but a member other than a natural person
2 may vote through an agent designated for the purpose. Ir-
3 respective of the number of shares held by him, no member
4 shall have more than one vote.

5 "MANAGEMENT

6 "SEC. 12. The business affairs of a Federal credit union
7 shall be managed by a board of not less than five directors,
8 and a credit committee of not less than three members, all
9 to be elected at the annual members' meeting by and from
10 the members, and by a supervisory committee of three mem-
11 bers, one of whom may be a director other than the treasurer,
12 to be appointed by the board. Any vacancy occurring in the
13 supervisory committee shall be filled in the same manner as
14 original appointments to such committee. All members of
15 the board and of such committees shall hold office for such
16 terms, respectively, as the bylaws may provide. A record of
17 the names and addresses of the members of the board and
18 such committees and of the officers of the credit union shall
19 be filed with the Bureau within ten days after their election
20 or appointment. No member of the board or of either such
21 committee shall, as such, be compensated.

22 "OFFICERS

23 "SEC. 13. At their first meeting after the annual meet-
24 ing of the members, the directors shall elect from their num-
25 ber a president, one or more vice presidents, a secretary, and

1 a treasurer, who shall be the executive officers of the cor-
2 poration. No executive officer, except the treasurer, shall
3 be compensated as such. The offices of secretary and treas-
4 urer may be held by the same person. The duties of the
5 officers shall be as determined by the bylaws, except that the
6 treasurer shall be the general manager of the corporation.
7 Before the treasurer shall enter upon his duties he shall give
8 bond with good and sufficient surety, in an amount and char-
9 acter to be determined by the board of directors in compli-
10 ance with regulations prescribed from time to time by the
11 Director, conditioned upon the faithful performance of his
12 trust.

13 "DIRECTORS

14 "SEC. 14. The board of directors shall meet at least
15 once a month and shall have the general direction and con-
16 trol of the affairs of the corporation. Minutes of all such
17 meetings shall be kept. Among other things they shall act
18 upon applications for membership; require any officer or em-
19 ployee having custody of or handling funds to give bond
20 with good and sufficient surety in an amount and character
21 to be determined by the board of directors in compliance
22 with regulations prescribed from time to time by the Di-
23 rector, and authorize the payment of the premium or pre-
24 miums therefor from the funds of the Federal credit union;
25 fill vacancies in the board and in the credit committee until

1 successors elected at the next annual meeting have qualified;
2 have charge of investments other than loans to members;
3 determine from time to time the maximum number of shares
4 that may be held by an individual; subject to the limitations
5 of this Act, determine the interest rates on loans and the
6 maximum amount which may be loaned with or without
7 security to any member; subject to such regulations as may
8 be issued by the Director, authorize an interest refund to
9 members of record at the close of business on December 31
10 in proportion to the interest paid by them during that year;
11 and provide for compensation of necessary clerical and au-
12 diting assistance requested by the supervisory committee, and
13 of loan officers appointed by the credit committee. The
14 board may appoint an executive committee of not less than
15 three directors to act for it in the purchase and sale of secu-
16 rities or the making of loans to other credit unions, or both.
17 Such executive committee or a membership officer appointed
18 by the board from among the members of the credit union,
19 other than the treasurer, an assistant treasurer, or a loan offi-
20 cer, may be authorized by the board to approve applications
21 for membership under such conditions as the board may pre-
22 scribe; except that such committee or membership officer so
23 authorized shall submit to the board at each monthly meet-
24 ing a list of approved or pending applications for member-
25 ship received since the previous monthly meeting, together

1 with such other related information as the bylaws or the
2 board may require.

3 "CREDIT COMMITTEE

4 "SEC. 15. The credit committee shall hold such meet-
5 ings as the business of the Federal credit union may require
6 and not less frequently than once a month to consider appli-
7 cations for loans. Reasonable notice of such meetings shall
8 be given to all members of the committee. No loan shall be
9 made unless it is approved by a majority of the entire com-
10 mittee and by all members of the committee who are present
11 at the meeting at which the application is considered; except
12 that the credit committee may appoint one or more loan offi-
13 cers, and delegate to him or them the power to approve loans
14 up to the unsecured limit, or in excess of such limit if
15 such excess is fully secured by unpledged shares. Each
16 loan officer shall furnish to the credit committee a record
17 of each loan approved or not approved by him within seven
18 days of the date of the filing of the application therefor. All
19 loans not approved by a loan officer shall be acted upon by
20 the credit committee. No individual shall have authority to
21 disburse funds of the Federal credit union for any loan which
22 has been approved by him in his capacity as a loan officer.
23 Not more than one member of the credit committee may
24 be appointed as a loan officer. Applications for loans
25 shall be made on forms prepared by such committee,

1 which shall set forth the purpose for which the loan is
2 desired, the security, if any, and such other data as may
3 be required. No loan shall be made to any member which
4 causes such member to become indebted to the Federal
5 credit union in an aggregate amount, upon loans made to
6 such member, which is in excess of \$200 or 10 per centum
7 of the credit union's paid-in unimpaired capital and surplus,
8 whichever is greater, or in excess of **[\$1,000]** \$750 unless
9 such excess over **[\$1,000]** \$750 is adequately secured. For
10 the purposes of this section an assignment of shares or the
11 endorsement of a note shall be deemed security.

12 "SUPERVISORY COMMITTEE

13 "SEC. 16. The supervisory committee shall make or
14 cause to be made, at least quarterly, an examination of the
15 affairs of the Federal credit union, including an audit of its
16 books; shall make or cause to be made a report of its
17 quarterly examination to the board of directors; shall make
18 or cause to be made an annual audit, a report of which
19 shall be submitted to the members at the next annual meet-
20 ing of the corporation; may suspend by a unanimous vote
21 any officer of the corporation or any member of the credit
22 committee or of the board of directors, until the next mem-
23 bers' meeting, which members' meeting shall be held not
24 less than seven nor more than fourteen days after such
25 suspension and at which meeting such suspension shall be

1 acted upon by the members; and may call by a majority
2 vote a special meeting of the shareholders to consider
3 any violation of this Act, the charter, or the bylaws, or
4 any practice of the corporation deemed by the supervisory
5 committee to be unsafe or unauthorized. Any member of
6 the supervisory committee may be suspended by the
7 board of directors. The members shall decide, at a meet-
8 ing held not less than seven nor more than fourteen days
9 after any such suspension, whether the suspended com-
10 mittee member shall be removed from or restored to the
11 supervisory committee. The supervisory committee shall
12 cause the passbooks and accounts of the members to be
13 verified with the records of the treasurer from time to time,
14 and not less frequently than once every two years. As used
15 in this section, the term 'passbook' shall include any book,
16 statement of account, or other record approved by the Di-
17 rector for use by Federal credit unions.

18 "RESERVES

19 "SEC. 17. All entrance fees and charges provided by the
20 bylaws and 20 per centum of the net earnings of each divi-
21 dend period, before the declaration of any dividends, shall be
22 set aside as a regular reserve against losses on bad loans and
23 such other losses as may be specified in the bylaws in accord-
24 ance with regulations prescribed under this Act: *Provided,*
25 *however,* That when the regular reserve thus established shall

1 equal 10 per centum of the total amount of members' share-
2 holdings, no further transfer of net earnings to such regular
3 reserve shall be required except that such amounts not in ex-
4 cess of 20 per centum of the net earnings as may be needed
5 to maintain this 10 per centum ratio shall continue to be
6 transferred. In addition to such regular reserve, special re-
7 serves to protect the interests of members shall be established
8 when required (1) by regulation, or (2) in any special
9 case, when found by the Director to be necessary for that
10 purpose.

11 "DIVIDENDS

12 "SEC. 18. Annually or semiannually, as the bylaws may
13 provide, and after provision for the required reserves, the
14 board of directors may declare a dividend to be paid from
15 the remaining net earnings. Such dividend shall be paid on
16 all paid-up shares outstanding at the end of the period for
17 which the dividend is declared. Shares which become fully
18 paid up during such dividend period and are outstanding at
19 the close of the period shall be entitled to a proportional part
20 of such dividend. Dividend credit for a month may be ac-
21 crued on shares which are or become fully paid up during
22 the first five days of that month.

23 "EXPULSION AND WITHDRAWAL

24 "SEC. 19. A member may be expelled by a two-thirds
25 vote of the members of a Federal credit union present at

1 a special meeting called for the purpose, but only after an
2 opportunity has been given him to be heard. Withdrawal
3 or expulsion of a member shall not operate to relieve him
4 from liability to the Federal credit union. The amount to
5 be paid a withdrawing or expelled member by a Federal
6 credit union shall be determined and paid in the manner
7 specified in the bylaws.

8 "MINORS

9 "SEC. 20. Shares may be issued in the name of a minor
10 or in trust, subject to such conditions as may be prescribed
11 by the bylaws. When shares are issued in trust, the name
12 of the beneficiary shall be disclosed to the Federal credit
13 union.

14 "CERTAIN POWERS OF DIRECTOR

15 "SEC. 21. (a) The Director may prescribe rules and
16 regulations for the administration of this Act (including,
17 but not by way of limitation, the merger, consolidation,
18 and dissolution of corporations organized under this Act).

19 "(b) (1) The Director may suspend or revoke the
20 charter of any Federal credit union, or place the same in
21 involuntary liquidation and appoint a liquidating agent there-
22 for, upon his finding that the organization is bankrupt or
23 insolvent, or has violated any of the provisions of its charter,
24 its bylaws, this Act, or any regulations issued thereunder.

25 "(2) The Director, through such persons as he shall

1 designate, may examine any Federal credit union in volun-
2 tary liquidation and, upon his finding that such voluntary
3 liquidation is not being conducted in an orderly or efficient
4 manner or in the best interests of its members, may termi-
5 nate such voluntary liquidation and place such organization
6 in involuntary liquidation and appoint a liquidating agent
7 therefor.

8 “(3) Such liquidating agent shall have power and au-
9 thority, subject to the control and supervision of the Director
10 and under such rules and regulations as the Director may
11 prescribe, (A) to receive and take possession of the books,
12 records, assets, and property of every description of the
13 Federal credit union in liquidation, to sell, enforce collection
14 of, and liquidate all such assets and property, to compound
15 all bad or doubtful debts, and to sue in his own name or in
16 the name of the Federal credit union in liquidation, and
17 defend such actions as may be brought against him as
18 liquidating agent or against the Federal credit union; (B)
19 to receive, examine, and pass upon all claims against the
20 Federal credit union in liquidation, including claims of mem-
21 bers on shares; (C) to make distribution and payment to
22 creditors and members as their interests may appear; and
23 (D) to execute such documents and papers and to do such
24 other acts and things which he may deem necessary or
25 desirable to discharge his duties hereunder.

1 “(4) Subject to the control and supervision of the
2 Director and under such rules and regulations as the Director
3 may prescribe, the liquidating agent of a Federal credit
4 union in involuntary liquidation shall (A) cause notice to
5 be given to creditors and members to present their claims
6 and make legal proof thereof, which notice shall be published
7 once a week in each of three successive weeks in a news-
8 paper of general circulation in each county in which the
9 Federal credit union in liquidation maintained an office or
10 branch for the transaction of business on the date it ceased
11 unrestricted operations; except that whenever the aggre-
12 gate book value of the assets and property of a Federal
13 credit union in involuntary liquidation is less than \$1,000,
14 unless the Director shall find that its books and records do
15 not contain a true and accurate record of its liabilities, he
16 shall declare such Federal credit union in liquidation to be
17 a ‘no publication’ liquidation, and publication of notice to
18 creditors and members shall not be required in such case;
19 (B) from time to time make a ratable dividend on all such
20 claims as may have been proved to his satisfaction or adjudi-
21 cated in a court of competent jurisdiction and, after the
22 assets of such organization have been liquidated, make fur-
23 ther dividends on all claims previously proved or adjudi-
24 cated, and he may accept in lieu of a formal proof of claim
25 on behalf of any creditor or member the statement of any

1 amount due to such creditor or member as shown on the
2 books and records of the credit union; but all claims not filed
3 before payment of the final dividend shall be barred and
4 claims rejected or disallowed by the liquidating agent shall
5 be likewise barred unless suit be instituted thereon within
6 three months after notice of rejection or disallowance; and
7 (C) in a 'no publication' liquidation, determine from all
8 sources available to him, and within the limits of available
9 funds of the Federal credit union, the amounts due to credi-
10 tors and members, and after sixty days shall have elapsed
11 from the date of his appointment distribute the funds of the
12 Federal credit union to creditors and members ratably and as
13 their interests may appear.

14 “(5) Upon certification by the liquidating agent in the
15 case of an involuntary liquidation, and upon such proof as
16 shall be satisfactory to the Director in the case of a voluntary
17 liquidation, that distribution has been made and that liqui-
18 dation has been completed, as provided herein, the Director
19 shall cancel the charter of such Federal credit union; but the
20 corporate existence of the Federal credit union shall continue
21 for a period of three years from the date of such cancellation
22 of its charter, during which period the liquidating agent, or
23 his duly appointed successor, or such persons as the Director
24 shall designate, may act on behalf of the Federal credit union
25 for the purpose of paying, satisfying, and discharging any

1 existing liabilities or obligations, collecting and distributing
2 its assets, and doing all other acts required to adjust and
3 wind up its business and affairs, and it may sue and be sued
4 in its corporate name.

5 “(c) After the expiration of five years from the date
6 of cancellation of the charter of a Federal credit union the
7 Director may, in his discretion, destroy any or all books and
8 records of such Federal credit union in his possession or
9 under his control.

10 “(d) The Director is authorized and empowered to
11 execute any and all functions and perform any and all duties
12 vested in him hereby, through such persons as he shall desig-
13 nate or employ; and he may delegate to any person or per-
14 sons, including any institution operating under the general
15 supervision of the Bureau, the performance and discharge
16 of any authority, power, or function vested in him by this
17 Act.

18 “(e) All books and records of Federal credit unions
19 shall be kept and reports shall be made in accordance with
20 forms approved by the Director.

21 “(f) The Director is authorized to make investigations
22 and to conduct researches and studies of the problems of
23 persons of small means in obtaining credit at reasonable
24 rates of interest, and of the methods and benefits of co-
25 operative saving and lending among such persons. He is

1 further authorized to make reports of such investigations
2 and to publish and disseminate the same.

3 “(g) Any officer or employee of the Bureau is author-
4 ized, when designated for the purpose by the Director, to
5 administer oaths and affirmations and to take affidavits and
6 depositions touching upon any matter within the jurisdiction
7 of the Bureau.

8 “(h) The Director is authorized, empowered, and
9 directed to require that every person appointed or elected
10 by any Federal credit union to any position requiring the
11 receipt, payment, or custody of money or other personal
12 property owned by a Federal credit union, or in its custody
13 or control as collateral or otherwise, give bond in a corporate
14 surety company holding a certificate of authority from the
15 Secretary of the Treasury under the Act approved July 30,
16 1947 (6 U.S.C., sec. 6-13), as an acceptable surety on
17 Federal bonds. Any such bond or bonds shall be in a form
18 approved by the Director with a view to providing surety
19 coverage to the Federal credit union with reference to loss
20 by reason of acts of fraud or dishonesty including forgery,
21 theft, embezzlement, wrongful abstraction, or misapplication
22 on the part of the person, directly or through connivance
23 with others, and such other surety coverages as the Director
24 may determine to be reasonably appropriate or as elsewhere
25 required by this Act. Any such bond or bonds shall be in

1 such an amount in relation to the money or other personal
2 property involved or in relation to the assets of the Federal
3 credit union as the Director may from time to time prescribe
4 by regulation for the purpose of requiring reasonable cover-
5 age. In lieu of individual bonds the Director may approve
6 the use of a form of schedule or blanket bond which covers all
7 of the officers and employees of a Federal credit union whose
8 duties include the receipt, payment, or custody of money or
9 other personal property for or on behalf of the Federal credit
10 union. The Director may also approve the use of a form
11 of excess coverage bond whereby a Federal credit union
12 may obtain an amount of coverage in excess of the basic
13 surety coverage.

14 "FISCAL AGENTS AND DEPOSITORIES

15 "SEC. 22. Each Federal credit union organized under this
16 Act, when requested by the Secretary of the Treasury, shall
17 act as fiscal agent of the United States and shall perform
18 such services as the Secretary of the Treasury may require in
19 connection with the collection of taxes and other obligations
20 due the United States and the lending, borrowing, and re-
21 payment of money by the United States, including the issue,
22 sale, redemption, or repurchase of bonds, notes, Treasury
23 certificates of indebtedness, or other obligations of the United
24 States; and to facilitate such purposes the Director shall fur-
25 nish to the Secretary of the Treasury from time to time the

1 names and addresses of all Federal credit unions with such
2 other available information concerning them as may be re-
3 quested by the Secretary of the Treasury. Any Federal
4 credit union organized under this Act, when designated for
5 that purpose by the Secretary of the Treasury, shall be a
6 depository of public money, except receipts from customs,
7 under such regulations as may be prescribed by the Secre-
8 tary of the Treasury.

9 "TAXATION

10 "SEC. 23. The Federal credit unions organized here-
11 under, their property, their franchises, capital, reserves, sur-
12 pluses, and other funds, and their income shall be exempt
13 from all taxation now or hereafter imposed by the United
14 States or by any State, Territorial, or local taxing authority;
15 except that any real property and any tangible personal
16 property of such Federal credit unions shall be subject to
17 Federal, State, Territorial, and local taxation to the same
18 extent as other similar property is taxed. Nothing herein
19 contained shall prevent holdings in any Federal credit union
20 organized hereunder from being included in the valuation of
21 the personal property of the owners or holders thereof in
22 assessing taxes imposed by authority of the State or political
23 subdivision thereof in which the Federal credit union is
24 located; but the duty or burden of collecting or enforcing
25 the payment of such a tax shall not be imposed upon any

1 such Federal credit union and the tax shall not exceed the
2 rate of taxes imposed upon holdings in domestic credit
3 unions.

4 "PARTIAL INVALIDITY; RIGHT TO AMEND

5 "SEC. 24. (a) If any provision of this Act, or the ap-
6 plication thereof to any person or circumstance, is held in-
7 valid, the remainder of the Act, and the application of such
8 provision to other persons or circumstances, shall not be
9 affected thereby.

10 "(b) The right to alter, amend, or repeal this Act or
11 any part thereof, or any charter issued pursuant to the pro-
12 visions of this Act, is expressly reserved.

13 "SPACE IN FEDERAL BUILDINGS

14 "SEC. 25. Upon application by any credit union organ-
15 ized under State law or by any Federal credit union organ-
16 ized in accordance with the terms of this Act, at least 95
17 per centum of the membership of which is composed of
18 persons who either are presently Federal employees or were
19 Federal employees at the time of admission into the credit
20 union, and members of their families, which application shall
21 be addressed to the officer or agency of the United States
22 charged with the allotment of space in the Federal build-
23 ings in the community or district in which such credit union
24 does business, such officer or agency may in his or its dis-

1 cretion allot space to such credit union if space is available
2 without charge for rent or services.

3 “CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND
4 FROM STATE TO FEDERAL CREDIT UNION

5 “SEC. 26. (a) A Federal credit union may be converted
6 into a State credit union under the laws of any State, the
7 District of Columbia, the several Territories and possessions
8 of the United States, the Panama Canal Zone, or the Com-
9 monwealth of Puerto Rico, by complying with the following
10 requirements:

11 “(1) The proposition for such conversion shall first be
12 approved, and a date set for a vote thereon by the members
13 (either at a meeting to be held on such date or by written
14 ballot to be filed on or before such date), by a majority of
15 the directors of the Federal credit union. Written notice of
16 the proposition and of the date set for the vote shall then
17 be delivered in person to each member, or mailed to each
18 member at the address for such member appearing on the
19 records of the credit union, not more than thirty nor less
20 than seven days prior to such date. Approval of the proposi-
21 tion for conversion shall be by the affirmative vote of a
22 majority of the members, in person or in writing.

23 “(2) A statement of the results of the vote, verified by
24 the affidavits of the president or vice president and the

1 secretary, shall be filed with the Bureau within ten days
2 after the vote is taken.

3 “(3) Promptly after the vote is taken and in no event
4 later than ninety days thereafter, if the proposition for con-
5 version was approved by such vote, the credit union shall
6 take such action as may be necessary under the applicable
7 State law to make it a State credit union, and within ten
8 days after receipt of the State credit union charter there shall
9 be filed with the Bureau a copy of the charter thus issued.
10 Upon such filing the credit union shall cease to be a Federal
11 credit union.

12 “(4) Upon ceasing to be a Federal credit union, such
13 credit union shall no longer be subject to any of the pro-
14 visions of this Act. The successor State credit union shall
15 be vested with all of the assets and shall continue respon-
16 sible for all of the obligations of the Federal credit union
17 to the same extent as though the conversion had not taken
18 place.

19 “(b) (1) A State credit union, organized under the
20 laws of any State, the District of Columbia, the several
21 Territories and possessions of the United States, the Panama
22 Canal Zone, or the Commonwealth of Puerto Rico, may
23 be converted into a Federal credit union by (A) comply-

1 ing with all State requirements requisite to enabling it to
2 convert to a Federal credit union or to cease being a State
3 credit union, (B) filing with the Bureau proof of such
4 compliance, satisfactory to the Director, and (C) filing
5 with the Bureau an organization certificate as required by
6 this Act.

7 “(2) When the Director has been satisfied that all of
8 such requirements, and all other requirements of this Act,
9 have been complied with, the Director shall approve the
10 organization certificate. Upon such approval, the State
11 credit union shall become a Federal credit union as of the
12 date it ceases to be a State credit union. The Federal
13 credit union shall be vested with all of the assets and
14 shall continue responsible for all of the obligations of the
15 State credit union to the same extent as though the conver-
16 sion had not taken place.

17 “TERRITORIAL APPLICABILITY OF ACT

18 “SEC. 27. The provisions of this Act shall apply to the
19 several States, the District of Columbia, the several Terri-
20 tories and possessions of the United States, the Panama Canal
21 Zone, and the Commonwealth of Puerto Rico.”

22 SEC. 2. Section 2113 (g) of title 18 of the United States
23 Code is amended by inserting before the period at the end

1 thereof “, and any ‘Federal credit union’ as defined in section
2 2 of the Federal Credit Union Act”.

3 ~~SEC. 3. The Director of the Bureau of Federal Credit~~
4 ~~Unions shall submit to the Congress on or before January 15,~~
5 ~~1960, a draft of legislation providing for federally chartered~~
6 ~~central credit unions.~~

7 *SEC. 3. The Director of the Bureau of Federal Credit*
8 *Unions shall make a study of the desirability of providing*
9 *for federally chartered central credit unions, and shall*
10 *submit to the Secretary of Health, Education, and Welfare,*
11 *for transmission to the Congress on or before April 15, 1960,*
12 *a report of the results thereof and such recommendations for*
13 *legislation thereon as the Director deems appropriate.*

Passed the House of Representatives July 30, 1959.

Attest:

RALPH R. ROBERTS,

Clerk.

86TH CONGRESS
1ST SESSION

H. R. 8305

[Report No. 814]

AN ACT

To amend the Federal Credit Union Act.

AUGUST 1, 1959

Received

AUGUST 3, 1959

Read twice and referred to the Committee on
Banking and Currency

AUGUST 25, 1959

Reported with amendments

26. FEDERAL INSIGNIA. Concurred in the House amendment to S. 355, to amend title 18 of the U. S. Code so as to prohibit the misuse by collecting agencies or private detective agencies of names, emblems, and insignia to indicate a Federal agency. This bill will now be sent to the President. p. 17225
27. PROPERTY. Passed without amendment H. R. 6669, to amend the act of July 14, 1945, so as to provide that the La. State University and Agricultural and Mechanical College may use certain real property heretofore conveyed to it by the U. S. for general educational purposes. This bill will now be sent to the President. pp. 17197-8
Passed as reported S. 1018, to direct the Postmaster General and the Administrator of CSA to transfer certain personal property to State and county agencies engaged in cooperative agricultural extension work. p. 17198
Passed over, at the request of Sen. Keating, S. 155, to permit donations of surplus property to libraries which are tax supported or publicly owned and operated. p. 17200
28. SMALL BUSINESS. Passed over, at the request of Sen. Keating, H. R. 8599, to amend the Small Business Act so as to increase the revolving fund of the Small Business Administration from \$900,000,000 to \$1,100,000,000. p. 17200
29. ATOMIC ENERGY. Passed over, at the request of Sen. Engle, S. 2568, to amend the Atomic Energy Act of 1954 so as to provide for Federal cooperation with the States on atomic energy, including the development of radiation standards. p. 17207
30. CREDIT UNIONS. Passed as reported H. R. 8305, to make various amendments to the Federal Credit Union Act. pp. 17188-9
31. INFORMATION. The Interstate and Foreign Commerce Committee reported without amendment S. Con Res. 75, favoring active participation by Federal agencies in the Fifth International Congress of High-Speed Photography to be held in Washington, D. C., in 1960. p. 17154
32. SOIL; WATER CONSERVATION. Agreed to S. Res. 178, authorizing the printing as a Senate document of the report entitled, "Facility Needs--Soil and Water Conservation Research." p. 17197
33. LEGISLATIVE PROGRAM. Sen. Johnson announced that the calendar will be called today (Sept. 10), and that the following bills will be called up by motion: S. 2449, to extend the International Wheat Agreement Act of 1949; S. 2026, to establish an Advisory Commission on Intergovernmental Relations; and S. 2568, Federal-State cooperation on atomic energy. pp. 17171, 17261-2

ITEMS IN APPENDIX

34. BUDGET; EXPENDITURES. Extension of remarks of Rep. Collier inserting a report by the Director of the Bureau of the Budget (which appeared in an issue of Reader's Digest) and stating that it is an "authorative study of the effects of our living and spending far beyond our income and the hard inevitabilities we face as a consequence." pp. A7873-4
35. HOLIDAY. Extension of remarks of Rep. Grant inserting an editorial favoring legislation calling for a new legal public holiday every 2 years to be known as Election Day. p. A7878

36. FARM LABOR. Extension of remarks of Rep. Collier expressing concern over the "sad plight" of the migratory worker and urging "immediate" Congressional action. p. A7879
37. WEIGHTS AND MEASURES. Extension of remarks of Sen. Neuberger discussing his proposed bill which would direct the Commerce Dept. to conduct a study to determine the practicability and desirability of the adoption by the U. S. of the metric system of weights and measures, and inserting a letter and articles on this subject. pp. A7881-2
38. FARM PROGRAM. Rep. Dorn, N. Y., inserted an article, "View From the Farm." pp. A7888-9
- Speech in the House by Rep. McGovern criticizing the administration's farm program, stating that "the farm problem is not a matter of concern only to rural people," and that according to the "'free market theory' ... farmers are overproducing because of Government price supports; overproduction depresses farm income; take away firm price supports and farmers will balance supply with demand so that all will be well." He stated that when this theory is applied to agriculture it leads to "economic disaster." pp. A7907-10
39. RECREATION. Extension of remarks of Sen. Johnson and Rep. Dingell inserting correspondence favoring the preservation of natural shoreline areas. pp. A7894-5, A7897
40. PERSONNEL. Rep. Rhodes inserted an article, "Council Seeks To Change Laws That Hamper Federal Employees." pp. A7897-8

BILLS INTRODUCED

41. COFFEE. S. 2667, by Sen. Fong (for himself and Sen. Long of Hawaii), to amend the Agricultural Act of 1949, as amended, in order to provide a price support program for coffee produced in the State of Hawaii; to Agriculture and Forestry Committee.
- S. 2668, by Sen. Fong (for himself and Sen. Long of Hawaii), to provide a price support program for coffee produced in the State of Hawaii based upon a moving 5-year average of the prices received by the producers of such coffee to Agriculture and Forestry Committee.
42. RECREATION. S. 2664, by Sen. Bible (for himself and Sen. Cannon), and H. R. 9156, by Rep. Baring, to establish the Great Basin National Park, in Nevada; to S. and H. Interior and Insular Affairs Committees. Remarks of Sen. Bible. pp. 17154-6
43. ADJOURNMENT. S. Con. Res. 77, by Sen. Smith, relating to amendment of Legislative Reorganization Act of 1946, relative to meetings and adjournments of Congress; to Rules and Administration Committee.

BILLS APPROVED BY THE PRESIDENT

44. LANDS; WILDLIFE. H. R. 2725, to prohibit the use of aircraft or motor vehicles to hunt wild horses or burros on Federal lands. Approved September 8, 1959 (Public Law 86-234, 86th Congress).
45. CLAIMS. H. R. 6000, to amend title 28 of the U. S. Code so as to increase the limit for administrative settlement of claims against the U. S. under the tort claims procedure from \$1,000 to \$2,500. Approved September 8, 1959 (Public Law 86-238, 86th Congress).

erees on the interest rate bill should represent the majority view of the Senate on the Anderson amendment on the interest rates.

I have discussed this matter with the Senator from New Mexico [Mr. ANDERSON] and the other members of the committee. The Senator from New Mexico is satisfied with the conferees, in connection with the amendment; and, therefore, I shall not raise the point I mentioned last night.

MEDALS IN COMMEMORATION OF THE FOUNDING OF THE PONY EXPRESS

The PRESIDING OFFICER. Is there objection to the present consideration of Calendar No. 812, Senate bill 2454?

There being no objection, the bill (S. 2454) to provide for the striking of medals in commemoration of the 100th anniversary of the founding of the pony express was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in the commemoration of the one hundredth anniversary of the founding of the Pony Express, which was founded and operated by the Russell, Majors, and Waddell Company between Saint Joseph, Missouri, and Sacramento, California, in the years 1860-1861, the Secretary of the Treasury is authorized and directed to strike and furnish to the National Pony Express Centennial Association not more than five hundred thousand medals with suitable emblems, devices, and inscriptions to be determined by the National Pony Express Centennial Association subject to the approval of the Secretary of the Treasury. The medals shall be made and delivered at such times as may be required by the Association in quantities of not less than two thousand, but no medals shall be made after December 31, 1961. The medals shall be considered to be national medals within the meaning of section 3551 of the Revised Statutes.

SEC. 2. The Secretary of the Treasury shall cause such medals to be struck and furnished at not less than the estimated cost of manufacture, including labor, materials, dies, use of machinery, and overhead expenses; and security satisfactory to the Director of the Mint shall be furnished to indemnify the United States for the full payment of such cost.

SEC. 3. The medals authorized to be issued pursuant to this Act shall be of such size or sizes and of such metals as shall be determined by the Secretary of the Treasury in consultation with such Association.

MEDALS IN COMMEMORATION OF THE 100TH ANNIVERSARY OF STATEHOOD OF KANSAS

The bill (S. 2431) to provide for the striking of medals in commemoration of the 100th anniversary of statehood of the State of Kansas was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in commemoration of the one hundredth anniversary of statehood of Kansas, the Secretary of the Treasury is authorized and directed to strike and furnish to the Kansas Centennial Commission not more than twenty

thousand medals of either silver or bronze or both, of a suitable size and with suitable emblems, devices, and inscriptions to be determined solely by the Secretary of the Treasury. The medals shall be made and delivered at such times as may be requested by the commission in quantities of not less than twenty-five hundred, but no medals shall be made after December 31, 1961. The medals shall be considered to be national medals within the meaning of section 3551 of the Revised Statutes.

SEC. 2. (a) The Secretary of the Treasury shall cause such medals to be struck and furnished at no less than the estimated cost of manufacture, including labor, materials, dies, use of machinery, and over expenses; and security satisfactory to the Director of the Mint shall be furnished to indemnify the United States for the full payment of such cost.

(b) Upon authorization from the Kansas Centennial Commission, the Secretary of the Treasury shall cause duplicates in silver or bronze or both of such medal to be coined and sold, under such regulations as he may prescribe at a price sufficient to cover the cost thereof (including labor).

BILL PASSED OVER

The bill (S. 2578) to provide a program of assistance to correct inequities in the construction of fishing vessels and to enable the fishing industry of the United States to regain a favorable economic status, and for other purposes, was announced as next in order.

Mr. KEATING. Over, Mr. President, by request.

The PRESIDING OFFICER. The bill will be passed over.

AMENDMENT OF FEDERAL HOME LOAN BANK ACT

The bill (S. 2517) to amend section 7 of the Federal Home Loan Bank Act, as amended, was announced as next in order.

Mr. MORSE. Mr. President, may we have an explanation of the bill?

Mr. ENGLE obtained the floor.

Mr. ROBERTSON. Mr. President, will the Senator from California yield to me?

Mr. ENGLE. I yield.

Mr. ROBERTSON. The law provides that the new States of Alaska and Hawaii, as would all other States, each would have one representative on the Board of the Home Loan Bank of San Francisco. This bill would provide additional members so as not to deprive the State of California of its present representation.

We understand there is no objection in San Francisco to this provision; and no objection in regard to the bill was voiced in our committee.

Mr. MORSE. Mr. President, will the Senator from California yield?

Mr. ENGLE. I yield.

Mr. MORSE. I understand that the entire purpose of the bill is to provide Alaska and Hawaii with representation on the Board. Is that correct?

Mr. ROBERTSON. The present law provides for at least one representative from each State, but it was felt that California, which has approximately two-thirds of the share accounts, should not be deprived of any of its present

representation, which would be the result of Alaskan and Hawaiian statehood, if this bill does not pass.

Mr. MORSE. Very well; I have no objection.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill (S. 2517) was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 7 of the Federal Home Loan Bank Act, as amended, is hereby amended by striking out the language in the first sentence after the first colon and inserting in lieu of the matter so stricken the following: "Provided, That the Board may by regulation increase the number of elective directors of any Federal home loan bank having a district which includes five or more States to a number not exceeding thirteen, but any additional elective directors shall be apportioned as nearly as may be practicable in the same manner and order as is provided for the apportionment of elective directors under subsections (c) and (d) hereof: *Provided further,* That there shall not be less than one nor more than three elective directors from any of the States in any district in which the number of elective directors is increased."

SEC. 2. Subsection (b) of said section 7 is hereby amended by adding thereto at the end thereof the following sentence: "In the case of any district in which the Board has by regulation increased the number of elective directors pursuant to subsection (a) the Board may by regulation provide for an additional number of directors to be appointed and to hold office as provided in the first sentence of this subsection, but the total number of appointive directors shall not exceed one-half the total number of elective directors in such district: *Provided,* That the term of the initial incumbent of any office established pursuant to this sentence shall expire at the end of the fourth calendar year beginning with the calendar year current at the time of his appointment, except that the Board may provide for any such initial incumbent a shorter term expiring at the end of a calendar year."

BILL PASSED OVER

The bill (S. 2402) to clarify the authority of the Postmaster General to provide for the expeditious, efficient, and economical transportation of mail, and for other purposes, was announced as next in order.

Mr. ENGLE. Over as not calendar business.

The PRESIDING OFFICER. The bill will go over.

JUVENILE DELINQUENCY CONTROL PROBLEMS—BILL PASSED OVER

The bill (S. 694) to provide Federal assistance for projects which will demonstrate or develop techniques and practices leading to a solution of the Nation's juvenile delinquency control problems was announced as next in order.

Mr. KEATING. Mr. President, I am personally in favor of this measure, but I feel it may be open to certain amendments and therefore should go over as not being proper calendar business.

Mr. President, I commend the Civil Rights Commission for taking the sound constitutional stand it in effect has taken by pointing out to the American people once again that the Constitution means exactly what it says and that the 15th amendment means exactly what it says, namely, that in this country there shall be no denial of full voting privileges to anyone in Federal elections because of race, color, or creed. Congress has not only the constitutional right but also the clear duty to pass such legislation as may be necessary and appropriate to guarantee first-class voting privileges to all citizens of the United States.

Mr. KEATING. Mr. President, I shall not detain the Senate long. I spoke on this subject in the morning hour, pointing out the fear or the suspicion which was growing in the minds of some that the extension of the Civil Rights Commission might be considered a civil rights bill. It would be nothing of the kind. It would not be a compliance with the representations made that we would have an opportunity to pass on a meaningful civil rights bill at this session of Congress.

Mr. President, I ask unanimous consent that my earlier remarks, made in the morning hour, may be printed in the RECORD at this point, since it is a more appropriate spot.

The PRESIDING OFFICER. Is there objection to the request of the Senator from New York? The Chair hears none, and it is so ordered.

Mr. KEATING. Mr. President, on a final subject, the distinguished Senator from Alabama [Mr. SPARKMAN] is as good a friend, I hope, as I have in this body. I admire him. I respect him. I often find myself in agreement with him.

I, however, am in violent disagreement with the statements which he made here this morning with regard to the report of the Civil Rights Commission. I was distressed to hear these statements made by such an able and influential Senator and one who has been honored by the majority party with the second highest gift within their power to bestow.

I have a high regard for every sovereign State of this Nation. I would feel very bad were I to violate the rules of the Senate which require that no Senator shall speak ill of another sovereign State. The records, however, of the Civil Rights Commission have revealed that in one of the counties in the Senator's State 25 Negroes claimed that the board of registrars had unlawfully refused to put their names on the voting lists. The registrars refused to testify when inquiry was made. They resigned when the Attorney General sued to compel the registration of apparently qualified Negroes under the Civil Rights Act of 1957. As a result, there was nobody to sue. New registrars were named, and they have refused to serve out of fear that they would have to register Negroes.

Mr. President, as I view it, that is a situation which requires legislative correction. This report of the Civil Rights Commission is not an extreme document. It is, in fact, moderate and balanced. In some respects it had unanimous approval. In several important respects it

had the approval of five of the six members. Yet it is now being subjected to violent and unbridled attack.

This morning's Washington Post had an excellent editorial on this subject entitled "Conscience of the Nation." There was only one sentence in it which disturbed me. It stated:

For the moment, however, the effect of the report is to relieve the pressure on Congress for a comprehensive civil rights bill.

It is my hope that it will not be considered that we are getting a civil rights bill this session if we do nothing more than extend the life of the Commission. That should follow as a matter of course. It is not, in my judgment, any compliance with the representations that were made to us, that a bill to protect the voting and other rights of our citizens would be brought before us in this session, simply to give us an opportunity to vote on the extension of the Civil Rights Commission.

There is a very great furor being built up, and I may be forgiven, I hope, Mr. President, if I voice a suspicion that in some quarters it may be felt that the extension of the Commission may be made a big enough issue to stop any further action in this field; and to that I protest.

Mr. President, I ask unanimous consent to have printed in the RECORD, following my remarks, the editorial to which I referred, entitled "Conscience of the Nation."

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

CONSCIENCE OF THE NATION

One striking effect of the Civil Rights Commission report is to make the House and Senate bills to bolster civil rights look pallid by comparison. Both houses have been balking over mild, narrow, and halting steps toward the elimination of discriminatory treatment on grounds of race. The Commission which Congress created to act as a sort of conscience to the Nation in this sphere has looked at the problem objectively and come in with sweeping proposals that would go far toward wiping out the disfranchisement of minorities instead of inching toward improvements.

We doubt that either the recommended constitutional amendment or the drastic proposals for temporary Federal registration officials in localities where state or local officials fail in their duty can be enacted at the present time. But they serve to focus national attention on the problem. The report itself gives further extended emphasis to the fact that the Negro is disfranchised in many parts of the South. By inaction the country has brought about "a partial repudiation of our faith in the democratic system."

The proposed constitutional amendment would wipe out all state control over voter qualifications, except age, and length of local residence. In effect it would establish universal suffrage, except for persons legally confined, without any educational or other requirements that could be twisted into discriminatory devices in administration. This is open to the familiar objection of Federal encroachment on state prerogatives; moreover, it won the support of only three of the Commission's six members. It would, of course, require a two-thirds vote in Congress.

As a practical matter, therefore, attention is likely to be centered on the proposal for temporary Federal registration of voters

where that becomes necessary to prevent inexcusable disfranchisement. This suggestion grew out of the actual situation that has developed in some counties since the Commission began its work, and it is given additional cogency by the fact that five of the six members support it.

In Macon County, Ala., the CRC heard 25 Negroes who claimed that the board of registrars had unlawfully refused to put their names on the voting rolls. The registrars refused to testify. They also resigned so that when the Attorney General sued to compel the registration of apparently qualified Negroes, under the Civil Rights Act of 1957, there was no one to sue. New registrars were named and refused to serve out of fear that they would have to register Negroes.

Obviously this situation, and others like it, are intolerable. The result is not merely to deny Negroes the right to vote in Alabama and some other Southern States but also to taint elections for the Presidency and Members of Congress. In these circumstances temporary Federal registration of voters would be perhaps the most potent lever by which to induce local officials to put their own houses in order.

For the moment, however, the effect of the report is to relieve the pressure on Congress for a comprehensive civil rights bill. New legislation must now be shaped in the light of the Commission's findings and recommendations in the fields of education and housing as well as voting. The imperative for this session is to continue the work of the Commission. Without action, the CRC would be a dead duck in 60 days, and Congress would be in the position of having stopped its investigative work because it has been forthright in its findings and recommendations. Regardless of how much opposition arises, therefore, continuation of the CRC as a going concern seems to us imperative.

Mr. SPARKMAN subsequently said: Mr. President, I ask for the attention of the distinguished Senator from New York [Mr. KEATING], the acting minority leader.

A few minutes ago the Senator made reference to a situation in one of the counties in Alabama—specifically Macon County, Ala.—in which persons resigned from positions as registrars and other persons declined to serve.

Mr. President, the situation was brought about by the actions of the Civil Rights Commission and by their effort to have a ruling in court that a person serving as registrar could not resign, or if he attempted to resign, that he would continue to be liable for the acts of the board during the time he was a member of the board of registrars, and continuing through the future.

Let it be said that in every decision—and there were several of them in the Federal courts of the United States—the contentions of the Civil Rights Commission were turned down and decisions were made upholding the State of Alabama.

It is because of such decisions that the Civil Rights Commission now is trying to have Federal registrars go down into the States to register voters—commissars sent out from Washington into the distant provinces to serve as registrars at the grassroots where basic democracy lies. I say it is not only time to scorn such recommendations of the Commission, but it is time to kill that Commission. I shall certainly do my best to bring that about.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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For actions of September 10, 1959
86th-1st, No. 160

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HIGHLIGHTS: Senate passed bill to extend International Wheat Agreement Act. Senate agreed to conference report on bill to extend authority for refinancing farm loans. Senate concurred in House amendments to authorize sale of CCC feed at current support prices in emergency areas. Senate concurred in House amendments to bill to grant USDA additional Public Law 313 positions. Senate concurred in House amendments, with additional amendments, to employee health insurance bill. Both Houses voted to override President's veto of public works appropriation bill. House passed new housing bill. Conference agreed to file report on Public Law 480 bill.

HOUSE

1. **HOUSING.** Passed under suspension of the rules S. 2654, the new housing bill (pp. 17452-64). This bill will now be sent to the President. As passed, the bill authorizes not more than \$100,000 for farm housing research to be used during the period beginning July 1, 1959, and ending June 30, 1961. One provision in S. 57, the first housing bill, directing that a study be made of the housing needs of migratory farm workers, was omitted from this bill.

Rep. Rains praised the inclusion of farm housing research grants and stated, in relation to the bill as passed, "inferior housing is by no means confined to cities." p. 17464

House 9-30-59

2. **FOOD SURPLUSES; FOREIGN TRADE.** The "Daily Digest" states that the conferees agreed to file a conference report on H. R. 8609, the Public Law 480 extension bill. As agreed to by the conferees, the "Daily Digest" says, the bill could extend Titles I and II of Public Law 480 for two years. p. D906
3. **PUBLIC WORKS.** Both Houses received the President's veto message (H. Doc. 226) on H. R. 9105, the new public works appropriation bill for 1960 and voted to override the veto by 280 to 121 in the House, and 72 to 23 in the Senate (two-thirds vote necessary to override a veto) (pp. 17392-6, 17342, 17451-2, 17469). This bill will now become law without the President's signature.
4. **CREDIT UNIONS.** Concurred in the Senate amendments to H. R. 8305, to make various amendments to the Federal Credit Union Act (p. 17466). This bill will now be sent to the President. The bill authorizes the use of Federal building space by credit unions 95% of whose members are Federal employees. The present law authorizes the use of Federal space only if all members are Federal employees or part of a Federal employee's family.
5. **AIR POLLUTION.** Conferees were appointed on H. R. 7476, to extend for 2 additional years the authority of the Surgeon General of the Public Health Service with respect to air pollution control (p. 17466). Senate conferees have not yet been appointed.
6. **MINERALS; LEASING.** Both Houses agreed to the conference report on S. 2181, to amend the Mineral Leasing Act to provide relief for innocent parties (bona fide purchasers) who may be involved in administrative or judicial proceedings against holders of leases, options, or interests in leases issued under this Act (pp. 17396, 17468). This bill will now be sent to the President. One amendment agreed to assures the holders of leases under the Act a right to be dismissed from cancellation or forfeiture proceedings upon showing that they rightfully acquired and carried out the provisions of the leases, and a right to have their leases extended under certain conditions.
7. **RECLAMATION.** Concurred in the Senate amendments to H. R. 1778, to make permanent the Interior Department's present temporary authority to grant deferments in the payment of construction charges on Federal reclamation projects in hardship cases and to broaden this authority sufficiently to cover other irrigation projects under the jurisdiction of the Bureau of Reclamation and payments due under contracts executed pursuant to the Reclamation Project Act of 1939. This bill will now be sent to the President. (p. 17468). One amendment concurred in requires the Interior Department to report to Congress all deferments granted under a section of the 1939 Act.
8. **BUDGET.** Rep. Curtis, Mo., charged that the "Daily Digest" has been "converted into a political device filled with inaccuracies," stated that the budget figures shown in the "tables of fables" in back of the Congressional Record are an attempt to convince the public that "Congress has cut the President's budget," and inserted certain "corrections" including figures on this Department's appropriations. pp. 17475-7
9. **INTEREST RATES.** Rep. Patman criticized what he termed the "Administration's high interest policy," contended that "by raising the interest rates," the Administration has "frightened investors away" from long-term bonds, and argued that the Administration's interest rate policy has had an adverse effect upon our friends abroad. pp. 17466-8

prevent the separation of brothers and sisters.

Spouses and minor children of persons admitted to the United States under the Refugee Relief Act of 1953 will be permitted to enter the United States outside of quota limitations if petitions in their behalf were filed by the eligible relative and approved by the Attorney General before January 1, 1959. This provision will permit the relatively small number of families separated by the arrival of the breadwinner prior to the coming of his dependents, to be reunited again.

(Mr. MONAGAN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. MONAGAN. Mr. Speaker, I am happy to support H.R. 5896.

The Senate amendments do not change the bill which we formerly passed in any important respect and it remains a vital piece of legislation.

The main effect of the bill is to remove restrictions against the entry into this country of close relatives of citizens and permanent residents.

This will not only have a helpful procedural effect in Congress in eliminating the need for special bills, but it will also permit us to take a great, humane step forward in hastening the reunion of families who have been separated for years due to the present legislation.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

EXTENDING AUTHORITY OF SURGEON GENERAL OVER AIR POLLUTION CONTROL

Mr. HARRIS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 7476) to extend for 2 additional years the authority of the Surgeon General of the Public Health Service with respect to air pollution control, with a Senate amendment thereto, disagree to the Senate amendment, and request a conference with the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas? The Chair hears none, and appoints the following conferees: Messrs. HARRIS, ROBERTS, RHODES of Pennsylvania, ROGERS of Florida, BENNETT of Michigan, SCHENCK, and DEVINE.

AMENDING FEDERAL CREDIT UNION ACT

Mr. SPENCE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 8305) to amend the Federal Credit Union Act, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 15, line 8, strike out "\$1,000" and insert "\$750".

Page 15, line 9, strike out "\$1,000" and insert "\$750".

Page 30, strike out lines 3 to 6, inclusive, and insert:

"SEC. 3. The Director of the Bureau of Federal Credit Unions shall make a study of the desirability of providing for federally chartered central credit unions, and shall submit to the Secretary of Health, Education, and Welfare, for transmission to the Congress on or before April 15, 1960, a report of the results thereof and such recommendations for legislation thereon as the Director deems appropriate."

The SPEAKER pro tempore (Mr. WALTER). Is there objection to the request of the gentleman from Kentucky?

Mr. WIDNALL. Mr. Speaker, reserving the right to object, and I will not object, will the gentleman from Kentucky [Mr. SPENCE] explain the changes incorporated in this bill by the other body?

Mr. SPENCE. The Federal credit union bill, H.R. 8305, as originally passed, authorized unsecured loans to its members to the extent of \$1,000 each. The Senate amendment reduces those loans to \$750.

The other amendment changes the wording of a request that the administration make a study of the questions involved and report as to whether or not the establishment of a Federal Central Credit Union was advisable. The bill, as originally passed, directed the administration to prepare legislation and submit it to the Congress. The bill, as amended, provides that the administration shall make a study of this question and report at the next session of Congress. These are the only changes in the bill. They are very inconsequential.

Mr. WIDNALL. Mr. Speaker, I thank the gentleman from Kentucky for explaining the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky [Mr. SPENCE]?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

CREDIT UNION ACT EXPANDED

Mr. PATMAN. Mr. Speaker, the passage of H.R. 8305 today to modernize the Federal Credit Union Act is indeed a historic occasion. Few people realized 25 years ago how pervasive the effects of a Federal credit union law would prove to be.

Today we see more than 19,000 credit unions in the United States serving more than 10 million American citizens. Roughly half of these credit unions operate under Federal charter and supervision.

Remarkable as these achievements may be. I would suggest that the Federal credit union law has made possible other changes in our way of life which are equally significant. The most important achievements of credit unions are those which cannot be measured by numbers. Over these many years credit unions have demonstrated and made it possible for millions of our citizens to manage their financial affairs in a responsible manner, and at minimum cost. This record of service in helping our citizens solve their financial problems is

perhaps the most important single achievement of credit unions.

Moreover, it is not only the members of credit unions who have benefited by these years of fine service; credit unions have brought about a tremendous change in the consumer financing habits of our citizens and the practices of most of our financial institutions. Through the force of example credit unions have ably demonstrated to other institutions that they can profitably serve the financial needs of the American workingman through low cost credit and convenient thrift facilities.

Thus, in all modesty, we must recognize that credit unions have either directly or indirectly benefited all the citizens of our country.

Although I commend the thousands of credit union leaders on this memorable record of achievement, let us not forget that there are still millions of our citizens who have not been able to avail themselves fully of low cost credit and convenient thrift facilities.

I am sure that the new credit union law when enacted will provide the legal structure within which this humanitarian crusade will continue to grow and enrich the lives of our citizens.

WHY THE ADMINISTRATION CANNOT SELL GOVERNMENT BONDS—HOUSING PROGRAM GREATLY AFFECTED BY HIGH INTEREST

Mr. SPENCE. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. PATMAN] may have permission to extend his remarks at this point in the RECORD and to include a letter.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. PATMAN. Mr. Speaker, why is it that this administration cannot sell long-term Government bonds at the present maximum of 4¼-percent interest rate, which has been the legal maximum for more than 40 years?

The answer is that the administration's high-interest policy has frightened investors away from these bonds. The administration, with the help and co-operation of the Federal Reserve System, presumably an agency of Congress, has successively raised interest rates and successively reduced the market value of Government bonds previously issued. By raising interest rates, the administration has, in effect, repudiated about 20 percent of the long-term Federal debt.

Under the previous Democratic administrations, conservative investors and managers of investment accounts were glad to invest in Government bonds—and at a low rate of interest—for the very good reason that they could be confident that, should they need their money to pay off claims, or for other contingencies, they would be able to sell the bonds at approximately the price they had paid for them. Today that is no longer true. Just the reverse is true. After almost 7 years of experience with the administration's high-interest policy, any investor in his right mind knows that if he puts

Page 2, line 13, strike out "the effective date of the said Act" and insert "December 31, 1953".

Page 2, lines 17, 18, and 19, strike out "the unmarried son or daughter under twenty-one years of age of the beneficiary of such petition" and insert "the children of such alien".

Page 2, line 19, strike out "a nonquota immigrant" and insert "nonquota immigrants".

Page 2, lines 21 and 22, strike out "a nonquota immigrant visa" and insert "non-quota Immigrant visas".

Page 3, strike out lines 1 to 19, inclusive, and insert:

"Sec. 5. (a) Section 205(b) of the Immigration and Nationality Act (66 Stat. 180) is hereby amended to read:

"(b) Any citizen of the United States claiming that any immigrant is his spouse or child and that such immigrant is entitled to a nonquota immigrant status under section 101(a) (27) (A), or any citizen of the United States claiming that any immigrant is his parent or unmarried son or unmarried daughter and that such immigrant is entitled to a quota immigrant status under section 203(a) (2), or any alien lawfully admitted for permanent residence claiming that any immigrant is his spouse or his unmarried son or his unmarried daughter and that such immigrant is entitled to a quota immigrant status under section 203(a) (3), or any citizen of the United States claiming that any immigrant is his brother or sister or his married son or his married daughter and that such immigrant is entitled to a preference under section 203(a) (4) may file a petition with the Attorney General. No petition for quota immigrant status or a preference in behalf of a son or daughter under paragraphs (2), (3), or (4) of section 203(a) of the Immigration and Nationality Act shall be approved by the Attorney General unless the petitioner establishes that he is a parent as defined in section 101(b) (2) of the Immigration and Nationality Act of the alien in respect to whom the petition is made. The petition shall be in such form and shall contain such information and be supported by such documentary evidence as the Attorney General made by regulations prescribe. The petition shall be made under oath administered by any individual having authority to administer oaths, if executed in the United States, but, if executed outside the United States, administered by a consular officer."

Page 4, strike out lines 1 to 15, inclusive, and insert:

"(c) Aliens who have been granted a preference under paragraph (4) of section 203(a) of the Immigration and Nationality Act pursuant to petitions heretofore approved by the Attorney General on the ground that they are the adopted sons or adopted daughters of United States citizens shall remain in that status notwithstanding the provisions of section 1 of this Act, unless they acquire a different immigrant status pursuant to a petition hereafter approved by the Attorney General."

Page 5, line 2, after "amended" insert "Provided further, That, upon his application for an immigrant visa, and for his admission into the United States, the alien is found to have retained his relationship to the petitioner, and status, as established in the approved petition."

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

Mr. GROSS. Mr. Speaker, reserving the right to object, may I ask the gentleman from Pennsylvania this question, Are all the amendments to the bill germane to the bill?

Mr. WALTER. All amendments are germane to the bill. Actually, the only important amendment is a change of the date in section 4. It moves it up for a year and 7 or 8 days.

Mr. FORAND. Mr. Speaker, will the gentleman yield?

Mr. WALTER. I yield to the gentleman from Rhode Island.

Mr. FORAND. Mr. Speaker, I believe this is the bill the gentleman has been working on so long to reunite families of people who were in this country who had part of their family overseas.

Mr. WALTER. That is correct. It is the bill that the gentleman from Rhode Island [Mr. FORAND] assisted me in preparing several years ago.

Mr. FORAND. It is a bill that any person who understands and who has any human feeling must be happy to see going through the Congress. I want to compliment the gentleman from Pennsylvania for the long and arduous work he has put in on this bill.

Mr. WALTER. I thank the gentleman. I think the enactment of this legislation into law will eliminate the need to consider a great many private bills, because the bill deals directly with the close relatives of American citizens and aliens lawfully in the United States.

Mr. RODINO. Mr. Speaker, will the gentleman yield?

Mr. WALTER. I yield to the gentleman from New Jersey.

(Mr. RODINO asked and was given permission to revise and extend his remarks.)

Mr. RODINO. Mr. Speaker, I am happy to support this bill, which is basically a bill to reunite families that we have been seeking to bring together. It is actually a breakthrough in some of the heartbreak which these divided families have been experiencing.

This bill will help people who have been waiting hopelessly, often for years, to join their mothers and fathers, brothers and sisters, here in the United States.

There is a huge backlog of these cases. Close relatives of Americans have been knocking on the doors of our consular offices throughout the world, without any chance of joining their families within a reasonable time, because the quotas of their respective countries have been filled. At long last, this bill offers some of these people the realization of their hopes.

Not only they, but all those American families which have been anxiously waiting and hoping for their arrival, will have their hearts lightened by this bill.

This measure firmly reasserts the principle that the reuniting of families shall be one of the basic and permanent cornerstones of our immigration policy. By passing this bill we show once again that America, even though she operates through the cold quotas and figures of the Immigration and Nationality Act, is willing to change those figures where human suffering is at stake. We demonstrate that, in the final analysis, our democratic feelings shape our decisions. In a limited way, this bill is a reaffirmation

that America still believes in the words of Emma Lazarus.

I want to compliment the gentleman from Pennsylvania [Mr. WALTER], who was the architect of the plan to provide for the reunification of families, and to whom we owe this bill. I would also like to call attention to the efforts of the gentleman from New York [Mr. CELLER], who cooperated in getting the bill out on the floor, and of Senator PASTORE, of Rhode Island, who assisted in the improving amendments added in the Senate.

I would like to insert into the RECORD at this point the following memorandum which explains exactly what this bill does:

BRIEF EXPLANATION OF H.R. 5896 AS PASSED BY THE HOUSE AND AMENDED BY THE SENATE

1. Alien unmarried sons and daughters (over 21 years of age) of citizens of the United States are moved up from the fourth to the second preference classification under the immigration quotas (now reserved for parents of United States citizens).

2. Alien unmarried sons and daughters (over 21 years of age) of immigrants admitted to the United States for permanent residence are placed in the third preference category under the immigration quotas, which is the same preference as that which minor children of such immigrants enjoy at the present time (the adult children of permanent residents have no preference status under existing law).

3. The spouses and minor children accompanying either brothers and sisters of U.S. citizens or alien adult married sons and daughters of U.S. citizens are being included into the fourth preference category under the immigration quotas. The inclusion of the immediate family of the preferential immigrant in the same category in which he is classified will permit the immigration of family units when the head of the family is reached for immigration under the quota system.

4. Preferential immigrants (parents, brothers, sisters, and adult children of U.S. citizens, and spouses and minor children of lawfully resident aliens) who are registered on consular waiting lists under dates preceding December 31, 1953, are made eligible for entry outside the quota, provided that the Attorney General has, prior to January 1, 1959, approved the petitions filed in their behalf by their relatives. The date of December 31, 1953, was inserted by the Senate as an amendment substituting it for the date of the enactment of the Immigration and Nationality Act which is December 24, 1952.

5. In order to prevent evasions of the immigration quota restrictions the bill voids a decision of the Board of Immigration Appeals under which children and even adult persons adopted by U.S. citizens were made eligible for fourth preference status under the quotas. (The matter of immigration of alien orphans under 14 years of age adopted by U.S. citizens is the subject of special legislation providing for the necessary safeguards.) The ruling of the Board of Immigration Appeals has not only misconstrued the law, but made it possible to evade quota restrictions by the obtaining of adoption decrees here or abroad, many of them based on rather doubtful good faith. Section 5(a) of the bill is designed to terminate this malpractice. In addition, the number of alien adopted children who may be brought without quota limitations by a U.S. citizen in whose custody they remained for over 2 years, is limited to 2 unless necessary to

Public Law 86-354
86th Congress, H. R. 8305
September 22, 1959

AN ACT

73 STAT. 628.

To amend the Federal Credit Union Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Credit Union Act (48 Stat. 1216; 12 U.S.C., secs. 1751-1772) is amended to read as follows:

Federal Credit
Union Act.

"SHORT TITLE

"SECTION 1. This Act may be cited as the 'Federal Credit Union Act'.

"DEFINITIONS

"SEC. 2. As used in this Act—

"(1) the term 'Federal credit union' means a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes;

"(2) the term 'Bureau' means the Bureau of Federal Credit Unions; and

"(3) the term 'Director' means the Director of the Bureau of Federal Credit Unions.

"CREATION OF BUREAU

"SEC. 3. There shall be in the Department of Health, Education, and Welfare a Bureau of Federal Credit Unions, which shall be under the supervision of a Director appointed by the Secretary of Health, Education and Welfare. The Bureau of Federal Credit Unions and the Director shall be under the general direction and supervision of the Secretary.

"FEDERAL CREDIT UNION ORGANIZATION

"SEC. 4. Any seven or more natural persons who desire to form a Federal credit union shall subscribe before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—

"(1) the name of the association;

"(2) the location of the proposed Federal credit union and the territory in which it will operate;

"(3) the names and addresses of the subscribers to the certificate and the number of shares subscribed by each;

"(4) the par value of the shares, which shall be \$5 each;

"(5) the proposed field of membership, specified in detail;

"(6) the term of the existence of the corporation, which may be perpetual; and

"(7) the fact that the certificate is made to enable such persons to avail themselves of the advantages of this Act.

Such organization certificate may also contain any provisions approved by the Director for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders.

"APPROVAL OF ORGANIZATION CERTIFICATE

"SEC. 5. The organization certificate shall be presented to the Director for approval. Before any organization certificate is approved, an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this Act; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Director it shall be the charter of the corporation, and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all of the liabilities conferred and imposed by this Act upon corporations organized hereunder.

"FEES

"SEC. 6. For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved, the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Director, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. Not later than January 31 of each calendar year, each Federal credit union shall pay to the Bureau, for the preceding calendar year, a supervision fee in accordance with a graduated scale prescribed by regulation on the basis of assets as of December 31 of such preceding year, but such fee shall in no event be less than \$10 nor more than the applicable amount specified in the following table:

"Total assets	Maximum fee
\$500,000 or less-----	30 cents per \$1,000.
Over \$500,000 and not over \$1,000,000-----	\$150, plus 25 cents per \$1,000 in excess of \$500,000.
Over \$1,000,000 and not over \$2,000,000-----	\$275, plus 20 cents per \$1,000 in excess of \$1,000,000.
Over \$2,000,000 and not over \$5,000,000-----	\$475, plus 15 cents per \$1,000 in excess of \$2,000,000.
Over \$5,000,000-----	\$925, plus 10 cents per \$1,000 in excess of \$5,000,000.

All such fees shall be deposited with the Treasurer of the United States for the account of the Bureau and may be expended by the Director for such administrative, supervisory, and other expenses incurred in carrying out the provisions of this Act as he may determine to be proper, the purpose of such fees being to defray such expenses as far as practicable. No annual supervision fee shall be payable by a Federal credit union with respect to the year in which its charter is issued, or in which final distribution is made in its liquidation or the charter is otherwise canceled.

"REPORTS AND EXAMINATIONS

"SEC. 7. Federal credit unions shall be under the supervision of the Director, and shall make financial reports to him as and when he may require, but at least annually. Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to, any person designated by the Director. The Director shall fix a scale of examination fees to be paid by Federal credit unions, giving due consideration to the time and expense incident to such examinations, and to the ability of Federal credit

unions to pay such fees, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of such examination. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section 6, and shall be available for the purposes specified in such section.

"POWERS

"SEC. 8. A Federal credit union shall have succession in its corporate name during its existence and shall have power—

"(1) to make contracts;

"(2) to sue and be sued;

"(3) to adopt and use a common seal and alter the same at pleasure;

"(4) to purchase, hold, and dispose of property necessary or incidental to its operations;

"(5) to make loans with maturities not exceeding five years to its members for provident or productive purposes upon such terms and conditions as this Act and its bylaws provide and as the credit committee or a loan officer may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances, inclusive of all charges incident to making the loan; except that no loans to a director or member of the supervisory or credit committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member. No director or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this paragraph, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Director after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such other factors as the Director deems relevant, but such rules and regulations shall not require payments more frequently than annually;

"(6) to receive from its members payments on shares;

"(7) to invest its funds (A) in loans exclusively to members; (B) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; (C) in accordance with rules and regulations prescribed by the Director, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; or (D) in shares or accounts of savings and loan associations, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation;

"(8) to make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business;

"(9) to borrow, in accordance with such rules and regulations as may be prescribed by the Director, from any source, in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: *Provided*, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital;

"(10) to levy late charges, in accordance with the bylaws, for failure of members to meet promptly their obligations to the Federal credit union;

"(11) to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or charges payable by him;

"(12) in accordance with rules and regulations prescribed by the Director, to sell to members negotiable checks (including travelers checks) and money orders, and to cash checks and money orders for members, for a fee which does not exceed the direct and indirect costs incident to providing such service; and

"(13) to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

"BYLAWS

"SEC. 9. In order to simplify the organization of Federal credit unions the Director shall from time to time cause to be prepared a form of organization certificate and a form of bylaws, consistent with this Act, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Director for his approval.

"MEMBERSHIP

"SEC. 10. Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Director, as may be elected to membership and as such shall each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that Federal credit union membership shall be limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. Shares may be issued in joint tenancy with right of survivorship with any persons designated by the credit union member, but no joint tenant shall be permitted to vote, obtain loans, or hold office, unless he is within the field of membership and is a qualified member.

"MEMBERS' MEETINGS

"SEC. 11. The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person

may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote.

"MANAGEMENT

"SEC. 12. The business affairs of a Federal credit union shall be managed by a board of not less than five directors, and a credit committee of not less than three members, all to be elected at the annual members' meeting by and from the members, and by a supervisory committee of three members, one of whom may be a director other than the treasurer, to be appointed by the board. Any vacancy occurring in the supervisory committee shall be filled in the same manner as original appointments to such committee. All members of the board and of such committees shall hold office for such terms, respectively, as the bylaws may provide. A record of the names and addresses of the members of the board and such committees and of the officers of the credit union shall be filed with the Bureau within ten days after their election or appointment. No member of the board or of either such committee shall, as such, be compensated.

"OFFICERS

"SEC. 13. At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, one or more vice presidents, a secretary, and a treasurer, who shall be the executive officers of the corporation. No executive officer, except the treasurer, shall be compensated as such. The offices of secretary and treasurer may be held by the same person. The duties of the officers shall be as determined by the bylaws, except that the treasurer shall be the general manager of the corporation. Before the treasurer shall enter upon his duties he shall give bond with good and sufficient surety, in an amount and character to be determined by the board of directors in compliance with regulations prescribed from time to time by the Director, conditioned upon the faithful performance of his trust.

"DIRECTORS

"SEC. 14. The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things they shall act upon applications for membership; require any officer or employee having custody of or handling funds to give bond with good and sufficient surety in an amount and character to be determined by the board of directors in compliance with regulations prescribed from time to time by the Director, and authorize the payment of the premium or premiums therefor from the funds of the Federal credit union; fill vacancies in the board and in the credit committee until successors elected at the next annual meeting have qualified; have charge of investments other than loans to members; determine from time to time the maximum number of shares that may be held by an individual; subject to the limitations of this Act, determine the interest rates on loans and the maximum amount which may be loaned with or without security to any member; subject to such regulations as may be issued by the Director, authorize an interest refund to members of record at the close of business on December 31 in proportion to the interest paid by them during that year; and provide for compensation of necessary clerical and auditing assistance requested by the supervisory committee, and of loan officers appointed by the credit committee. The board may appoint an executive com-

mittee of not less than three directors to act for it in the purchase and sale of securities or the making of loans to other credit unions, or both. Such executive committee or a membership officer appointed by the board from among the members of the credit union, other than the treasurer, an assistant treasurer, or a loan officer, may be authorized by the board to approve applications for membership under such conditions as the board may prescribe; except that such committee or membership officer so authorized shall submit to the board at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require.

"CREDIT COMMITTEE

"SEC. 15. The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month to consider applications for loans. Reasonable notice of such meetings shall be given to all members of the committee. No loan shall be made unless it is approved by a majority of the entire committee and by all members of the committee who are present at the meeting at which the application is considered; except that the credit committee may appoint one or more loan officers, and delegate to him or them the power to approve loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the credit committee. No individual shall have authority to disburse funds of the Federal credit union for any loan which has been approved by him in his capacity as a loan officer. Not more than one member of the credit committee may be appointed as a loan officer. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan shall be made to any member which causes such member to become indebted to the Federal credit union in an aggregate amount, upon loans made to such member, which is in excess of \$200 or 10 per centum of the credit union's paid-in unimpaired capital and surplus, whichever is greater, or in excess of \$750 unless such excess over \$750 is adequately secured. For the purposes of this section an assignment of shares or the endorsement of a note shall be deemed security.

"SUPERVISORY COMMITTEE

"SEC. 16. The supervisory committee shall make or cause to be made, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; shall make or cause to be made a report of its quarterly examination to the board of directors; shall make or cause to be made an annual audit, a report of which shall be submitted to the members at the next annual meeting of the corporation; may suspend by a unanimous vote any officer of the corporation or any member of the credit committee or of the board of directors, until the next members' meeting, which members' meeting shall be held not less than seven nor more than fourteen days after such suspension and at which meeting such suspension shall be acted upon by the members; and may call by a majority vote a special meeting of the shareholders to consider any violation of this Act, the charter, or the bylaws, or any practice of the corporation deemed by the supervisory committee to be unsafe or unauthorized. Any member of the super-

visory committee may be suspended by the board of directors. The members shall decide, at a meeting held not less than seven nor more than fourteen days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee. The supervisory committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once every two years. As used in this section, the term 'passbook' shall include any book, statement of account, or other record approved by the Director for use by Federal credit unions.

"RESERVES

"SEC. 17. All entrance fees and charges provided by the bylaws and 20 per centum of the net earnings of each dividend period, before the declaration of any dividends, shall be set aside as a regular reserve against losses on bad loans and such other losses as may be specified in the bylaws in accordance with regulations prescribed under this Act: *Provided, however,* That when the regular reserve thus established shall equal 10 per centum of the total amount of members' shareholdings, no further transfer of net earnings to such regular reserve shall be required except that such amounts not in excess of 20 per centum of the net earnings as may be needed to maintain this 10 per centum ratio shall continue to be transferred. In addition to such regular reserve, special reserves to protect the interests of members shall be established when required (1) by regulation, or (2) in any special case, when found by the Director to be necessary for that purpose.

"DIVIDENDS

"SEC. 18. Annually or semiannually, as the bylaws may provide, and after provision for the required reserves, the board of directors may declare a dividend to be paid from the remaining net earnings. Such dividends shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during such dividend period and are outstanding at the close of the period shall be entitled to a proportional part of such dividend. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first five days of that month.

"EXPULSION AND WITHDRAWAL

"SEC. 19. A member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after an opportunity has been given him to be heard. Withdrawal or expulsion of a member shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in the manner specified in the bylaws.

"MINORS

"SEC. 20. Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. When shares are issued in trust, the name of the beneficiary shall be disclosed to the Federal credit union.

"CERTAIN POWERS OF DIRECTOR

"SEC. 21. (a) The Director may prescribe rules and regulations for the administration of this Act (including, but not by way of limitation, the merger, consolidation, and dissolution of corporations organized under this Act).

"(b) (1) The Director may suspend or revoke the charter of any Federal credit union, or place the same in involuntary liquidation and appoint a liquidating agent therefor, upon his finding that the organization is bankrupt or insolvent, or has violated any of the provisions of its charter, its bylaws, this Act, or any regulations issued thereunder.

"(2) The Director, through such persons as he shall designate, may examine any Federal credit union in voluntary liquidation and, upon his finding that such voluntary liquidation is not being conducted in an orderly or efficient manner or in the best interests of its members, may terminate such voluntary liquidation and place such organization in involuntary liquidation and appoint a liquidating agent therefor.

"(3) Such liquidating agent shall have power and authority, subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, (A) to receive and take possession of the books, records, assets, and property of every description of the Federal credit union in liquidation, to sell, enforce collection of, and liquidate all such assets and property, to compound all bad or doubtful debts, and to sue in his own name or in the name of the Federal credit union in liquidation, and defend such actions as may be brought against him as liquidating agent or against the Federal credit union; (B) to receive, examine, and pass upon all claims against the Federal credit union in liquidation, including claims of members on shares; (C) to make distribution and payment to creditors and members as their interests may appear; and (D) to execute such documents and papers and to do such other acts and things which he may deem necessary or desirable to discharge his duties hereunder.

"(4) Subject to the control and supervision of the Director and under such rules and regulations as the Director may prescribe, the liquidating agent of a Federal credit union in involuntary liquidation shall (A) cause notice to be given to creditors and members to present their claims and make legal proof thereof, which notice shall be published once a week in each of three successive weeks in a newspaper of general circulation in each county in which the Federal credit union in liquidation maintained an office or branch for the transaction of business on the date it ceased unrestricted operations; except that whenever the aggregate book value of the assets and property of a Federal credit union in involuntary liquidation is less than \$1,000, unless the Director shall find that its books and records do not contain a true and accurate record of its liabilities, he shall declare such Federal credit union in liquidation to be a 'no publication' liquidation, and publication of notice to creditors and members shall not be required in such case; (B) from time to time make a ratable dividend on all such claims as may have been proved to his satisfaction or adjudicated in a court of competent jurisdiction and, after the assets of such organization have been liquidated, make further dividends on all claims previously proved or adjudicated, and he may accept in lieu of a formal proof of claim on behalf of any creditor or member the statement of any amount due to such creditor or member as shown on the books and records of the credit union; but all claims not filed before payment of the final dividend shall be barred and claims rejected or disallowed by the liquidating agent shall be likewise barred unless

suit be instituted thereon within three months after notice of rejection or disallowance; and (C) in a 'no publication' liquidation, determine from all sources available to him, and within the limits of available funds of the Federal credit union, the amounts due to creditors and members, and after sixty days shall have elapsed from the date of his appointment distribute the funds of the Federal credit union to creditors and members ratably and as their interests may appear.

"(5) Upon certification by the liquidating agent in the case of an involuntary liquidation, and upon such proof as shall be satisfactory to the Director in the case of a voluntary liquidation, that distribution has been made and that liquidation has been completed, as provided herein, the Director shall cancel the charter of such Federal credit union; but the corporate existence of the Federal credit union shall continue for a period of three years from the date of such cancellation of its charter, during which period the liquidating agent, or his duly appointed successor, or such persons as the Director shall designate, may act on behalf of the Federal credit union for the purpose of paying, satisfying, and discharging any existing liabilities or obligations, collecting and distributing its assets, and doing all other acts required to adjust and wind up its business and affairs, and it may sue and be sued in its corporate name.

"(c) After the expiration of five years from the date of cancellation of the charter of a Federal credit union the Director may, in his discretion, destroy any or all books and records of such Federal credit union in his possession or under his control.

"(d) The Director is authorized and empowered to execute any and all functions and perform any and all duties vested in him hereby, through such persons as he shall designate or employ; and he may delegate to any person or persons, including any institution operating under the general supervision of the Bureau, the performance and discharge of any authority, power, or function vested in him by this Act.

"(e) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Director.

"(f) The Director is authorized to make investigations and to conduct researches and studies of the problems of persons of small means in obtaining credit at reasonable rates of interest, and of the methods and benefits of cooperative saving and lending among such persons. He is further authorized to make reports of such investigations and to publish and disseminate the same.

"(g) Any officer or employee of the Bureau is authorized, when designated for the purpose by the Director, to administer oaths and affirmations and to take affidavits and depositions touching upon any matter within the jurisdiction of the Bureau.

"(h) The Director is authorized, empowered, and directed to require that every person appointed or elected by any Federal credit union to any position requiring the receipt, payment, or custody of money or other personal property owned by a Federal credit union, or in its custody or control as collateral or otherwise, give bond in a corporate surety company holding a certificate of authority from the Secretary of the Treasury under the Act approved July 30, 1947 (6 U.S.C., secs. 6-13), as an acceptable surety on Federal bonds. Any such bond or bonds shall be in a form approved by the Director with a view to providing surety coverage to the Federal credit union with reference to loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful abstraction, or misapplication on the part of the person, directly or through connivance with others, and such other surety coverages as the Director may determine to be reasonably

appropriate or as elsewhere required by this Act. Any such bond or bonds shall be in such an amount in relation to the money or other personal property involved or in relation to the assets of the Federal credit union as the Director may from time to time prescribe by regulation for the purpose of requiring reasonable coverage. In lieu of individual bonds the Director may approve the use of a form of schedule or blanket bond which covers all of the officers and employees of a Federal credit union whose duties include the receipt, payment, or custody of money or other personal property for or on behalf of the Federal credit union. The Director may also approve the use of a form of excess coverage bond whereby a Federal credit union may obtain an amount of coverage in excess of the basic surety coverage.

"FISCAL AGENTS AND DEPOSITORIES

"SEC. 22. Each Federal credit union organized under this Act, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States, including the issue, sale, redemption, or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes the Director shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this Act, when designated for that purpose by the Secretary of the Treasury, shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury.

"TAXATION

"SEC. 23. The Federal credit unions organized hereunder, their property, their franchises, capital, reserves, surpluses, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such Federal credit unions shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. Nothing herein contained shall prevent holdings in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders thereof in assessing taxes imposed by authority of the State or political subdivision thereof in which the Federal credit union is located; but the duty or burden of collecting or enforcing the payment of such a tax shall not be imposed upon any such Federal credit union and the tax shall not exceed the rate of taxes imposed upon holdings in domestic credit unions.

"PARTIAL INVALIDITY; RIGHT TO AMEND

"SEC. 24. (a) If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

"(b) The right to alter, amend, or repeal this Act or any part thereof, or any charter issued pursuant to the provisions of this Act, is expressly reserved.

"SPACE IN FEDERAL BUILDINGS

"SEC. 25. Upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this Act, at least 95 per centum of the membership of which is composed of persons who either are presently Federal employees or were Federal employees at the time of admission into the credit union, and members of their families, which application shall be addressed to the officer or agency of the United States charged with the allotment of space in the Federal buildings in the community or district in which such credit union does business, such officer or agency may in his or its discretion allot space to such credit union if space is available without charge for rent or services.

"CONVERSION FROM FEDERAL TO STATE CREDIT UNION AND FROM STATE TO
FEDERAL CREDIT UNION

"SEC. 26. (a) A Federal credit union may be converted into a State credit union under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, by complying with the following requirements:

"(1) The proposition for such conversion shall first be approved, and a date set for a vote thereon by the members (either at a meeting to be held on such date or by written ballot to be filed on or before such date), by a majority of the directors of the Federal credit union. Written notice of the proposition and of the date set for the vote shall then be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. Approval of the proposition for conversion shall be by the affirmative vote of a majority of the members, in person or in writing.

"(2) A statement of the results of the vote, verified by the affidavits of the president or vice president and the secretary, shall be filed with the Bureau within ten days after the vote is taken.

"(3) Promptly after the vote is taken and in no event later than ninety days thereafter, if the proposition for conversion was approved by such vote, the credit union shall take such action as may be necessary under the applicable State law to make it a State credit union, and within ten days after receipt of the State credit union charter there shall be filed with the Bureau a copy of the charter thus issued. Upon such filing the credit union shall cease to be a Federal credit union.

"(4) Upon ceasing to be a Federal credit union, such credit union shall no longer be subject to any of the provisions of this Act. The successor State credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the Federal credit union to the same extent as though the conversion had not taken place.

"(b) (1) A State credit union, organized under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, may be converted into a Federal credit union by (A) complying with all State requirements requisite to enabling it to convert to a Federal credit union or to cease being a State credit union, (B) filing with the Bureau proof of such compliance, satisfactory to the Director, and (C) filing with the Bureau an organization certificate as required by this Act.

"(2) When the Director has been satisfied that all of such requirements, and all other requirements of this Act, have been complied with, the Director shall approve the organization certificate. Upon such approval, the State credit union shall become a Federal credit union as of the date it ceases to be a State credit union. The Federal credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the State credit union to the same extent as though the conversion had not taken place.

"TERRITORIAL APPLICABILITY OF ACT

"SEC. 27. The provisions of this Act shall apply to the several States, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico."

62 Stat. 796.

SEC. 2. Section 2113(g) of title 18 of the United States Code is amended by inserting before the period at the end thereof "and any 'Federal credit union' as defined in section 2 of the Federal Credit Union Act".

SEC. 3. The Director of the Bureau of Federal Credit Unions shall make a study of the desirability of providing for federally chartered central credit unions, and shall submit to the Secretary of Health, Education, and Welfare, for transmission to the Congress on or before April 15, 1960, a report of the results thereof and such recommendations for legislation thereon as the Director deems appropriate.

Approved September 22, 1959.

Report to
Congress.